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ABSTRACT

Three major aspects of advertising/marketing communications are reviewed comprehensively in this report. Consumer behavior with its associated attitudes and purchasing behavior are discussed in regard to the choices of specific brands within major product categories. The relationship between advertising and the structure of markets is considered by presenting a review of the theories and evidence of the economic effects in this field. Finally, the variety of social issues that arise from concerns about advertising's impact on public values and attitudes are discussed with particular emphasis on the nature of persuasion, taste, and information versus deception. Of particular interest is a section on the effect of advertising on children. (MC)

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Appraising The Economic and Social Effects of Advertising

A Review of Issues and Evidence

Marketing Science Institute
Staff Report

October, 1971

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APPRAISING THE ECONOMIC AND SOCIAL EFFECTS OF ADVERTISING

A Review of Issues and Evidence

MARKETING SCIENCE INSTITUTE
STAFF REPORT

Prepared by
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October, 1971

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PREFACE

Criticism of advertising and other forms of selling, and of persuasion in general, is not a new phenomenon. For centuries, economists, philosophers, and others have raised questions about the effects of these activities on consumer welfare, on the functioning of economic systems, and on human nature. These questions will probably be discussed and debated in the future, too, at least as long as "private enterprise" is the primary basis of economic organization in the United States and other democratic societies. From time to time, however, public interest in the role of advertising is intensified and focussed on specific issues. In the late 1960s and early 1970s, criticisms of advertising, and proposals for its regulation, have increased steadily. This trend has been closely related to the emergence of "consumerism," and also to a questioning of the impact of television on society during the past 20 years.

For these reasons, and perhaps others, questions about the role of advertising and other forms of "marketing communications" have again come to the forefront.

Some of the issues that are being raised can be appraised -- if not completely resolved -- in light of concepts, theories, and factual evidence available from relevant fields of the social sciences. This report is intended to contribute to appraisal of the role and impact of advertising, by providing an overview of relevant ideas and research results from psychology, economics, and other fields.

The report is a review of some of the major issues concerning the effects of advertising/marketing communications. In it, we have attempted to:

- define the nature of the issues;
- organize the issues into an overall framework; and
- summarize available evidence bearing on the issues.

The report is by no means "comprehensive," either in terms of breadth of issues discussed or depth of evidence included. In our selective coverage of the subject, we have tried to focus attention on the most significant issues and the most relevant types of evidence.

In particular, we have concentrated on issues that arise from criticisms of advertising and its effects. We have not explored some equally important questions that concern positive aspects of advertising, such as its financial support of the newspaper and magazine publishing and radio/television broadcasting industries. These matters are obviously relevant to a balanced overall evaluation of advertising.

The report is the product of a group effort. It was prepared by a project team at the Marketing Science Institute, under our direction. Members of the team included Mr. Michael Pearce, Dr. Scott M. Cunningham, and Mrs. Avon Miller. Valuable contributions were also made by Professors Scott Ward, Alvin Silk, and Robert E. M. Nourse. Professor Raymond A. Bauer provided advice in the early stages of designing the project.

Financial support for preparation of the report was provided by a special grant from the General Foods Corporation. We are grateful to the company, and particularly to Mr. Kent Mitchel, Vice President, Corporate Marketing Services, for this support.

We are keenly aware of the shortcomings of the report, many of which are inherent in the basic concept of trying to deal with so broad and complex a topic within the limits of time and space available. The document is in no sense a "final report," nor is there likely ever to be any final, ultimate resolution of the issues discussed herein.

It is intended, rather, as a basis for discussion of the issues. The report will achieve its objectives, therefore, if it contributes to a more orderly, systematic, and rational consideration of the questions currently being raised about advertising in American society.

Robert D. Buzzell
Stephen A. Greyser

Cambridge, Massachusetts
October, 1971

Chapter 1

OVERVIEW

1.1 Introduction:

Over 25 years ago, Professor Neil H. Borden after a monumental study of advertising, wrote the following:

> Advertising is under fire. Its adverse critics come from many camps and their complaints tend to become increasingly vehement...The discussions on both sides have often been characterized by sweeping generalization, by paucity of fact, and by lack of closely-knit logical reasoning. There has been much wishful thinking and rationalization...What is needed is evidence bearing upon the issues...[1, 1945]

This statement is appropriate today and constitutes a some of the major economic and social issues in advertising. By doing so, we hope to provide some perspective for the appraisal of advertising and we hope to identify questions upon which further research and thinking are required. These are ambitious goals. We will be satisfied if we make some ambitious goals. We will be satisfied if we make some contribution toward their ultimate achievement.

1.2 Advertising and Marketing Communications Defined:

Advertising is a complex and varied process, which can be described and appraised from many different viewpoints. As a result, it is difficult to propose a definition which satisfies all purposes. It may be defined in terms of what it does or is supposed to do; for example, advertising influences people to buy. It may be defined in terms of its physical characteristics; for example, advertising is "paid, non-personal mass communication." It may be defined in business and marketing terms; for example, advertising is

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1. Borden, N. H. The Economic Effects of Advertising (Chicago: R. D. Irwin, Inc., 1942).

"a part of the total selling-marketing process." It may be defined in terms of its role in society; for example, advertising is a social institution that influences social values and behavior.

Any definition, whether vague or specific, or whether oriented towards intent or result, reveals much about the author's interest in advertising. Marketers who use advertising have generally been interested primarily in the management of advertising activities and in appraising the effectiveness of individual advertisements and campaigns. Economists, attempting to understand how industry functions, have tended to evaluate advertising more broadly: What effects does it have on industry structure, market conduct, and market performance? Social observers, trying to understand how society functions, have compared advertising with other institutional influences on the nature of society, such as the educational system. It is not surprising that appraisals of advertising differ, both with respect to matters of concern and to conclusions reached.

1.2.1 Advertising As A Form of Marketing Communications -

Although advertising does possess some unique characteristics--perhaps most notably its efficiency in reaching a large audience --it has many elements in common with other marketing communications methods. By "marketing communications," we mean communication of information, imagery, and incentives to buy, directed by marketers to their customers. Marketing communication methods include personal selling, packaging, point-of-sale promotion, and sales promotion (such as coupons and premiums).

The fact that these devices are used in attempts to sell products and services, and the ways in which these devices are used, have also drawn criticism of a nature similar to that drawn by advertising. We believe this tendency will continue and may even increase. Further, we believe that the issues involved in marketing communications and the evidence needed to resolve those issues are sufficiently similar that we wish to emphasize these points throughout our discussion by adopting an awkward term: advertising/marketing communications. Much of the evidence presented, however, is based almost entirely on examinations of advertising-in such instances the compound term will not be used.

1.2.2 Marketing Communications in the Marketing Mix -

In some ways, our definition of marketing communications is not sufficiently specific. In varying degrees, marketers have control over several other variables: price, product policies, terms of sale, and distribution. These factors are collectively designated as the "marketing mix," which every business must develop and modify continuously in its effort to get and keep customers. The results of decisions on these other aspects of marketing also convey information to consumers -- in this sense, they too are elements of "marketing communications." One of the fundamental principles marketing teachers attempt to implant in their students, early in their courses, is that each of these factors influences to some extent (depending on the market situation) consumer purchasing decisions. The implications of the difficulty of isolating the effects of advertising/marketing communications from the effects of these other aspects of marketing will be mentioned at various points in this report.

1.3 Nature of the Issues:

Most appraisals of advertising/marketing communications can be classified as either "economic" or "social." Economic issues include questions such as the impact of advertising expenditures on industry profits or on the growth of new products. Social issues include questions such as the impact of advertising on children's values and attitudes, or advertising's persuasive power.

Underlying most issues in the appraisal of advertising are assumptions about how individuals or groups respond to advertising/marketing communications. Thus, we believe it is important to begin by examining consumer behavior and how it may or may not be affected by advertising, before we explore other issues relating to the economic and social impacts of advertising. Therefore, in the next chapter we discuss theories and research evidence on the effects of advertising/marketing communications on consumers' knowledge, beliefs, attitudes, and purchasing behavior.

1.4 Reasons for Controversy:

Before launching into a discussion of specific issues relating to the effects of advertising/marketing communications, it may be useful to examine several of the reasons frequently advanced as to why advertising is a controversial topic.

The reason most frequently cited as an explanation of the tendency for advertising to be under scrutiny is its high visibility. Although estimates of the extent of advertising/marketing communications' presence in everyday life vary, there is little doubt that attempts to influence buying behavior are highly pervasive in our society. It is not surprising that some people regard the impact of today's 20 billion dollar barrage of advertising as a topic worthy of examination, speculation...and indeed, controversy.

Another possible set of reasons for scrutinizing advertising/marketing communications is essentially ideological and aesthetic. A substantial amount of inherent disdain and distrust of the selling activity has characterized many societies -- from the ancient Athenian concern over controlling the behavior of the mercantile sector down to our own day. As long ago as the early 18th Century, essayist Joseph Addison criticized the advertising of that era. [2, 1962]

Ideological and aesthetic criticisms of selling including advertising/marketing communications, have created a skeptical public attitude toward the whole nature of advertising/marketing communications. Historian David Potter has suggested that the basic concern about advertising stems from its apparent lack of social purpose:

> Advertising has in its dynamics no motivation to seek the improvement of the individual or to impart qualities of social usefulness, unless conformity to material values may be so characterized. And, though it wields an immense social influence, comparable to the influence of religion and learning, it has no social goals and no social responsibility for what it does with its influence, so long as it refrains from palpable violations of truth and decency. It is this lack of institutional responsibility, this lack of inherent social purpose to balance social power, which, I would argue, is a basic cause for concern about the role of advertising. [3, 1954]

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2. The Tatler, Sept. 12-14, 1710, cited in E.C. Bursk, D. Clark, R. Hidy, The World of Business (New York, Simon & Schuster, 1962) pp. 378-81.

3. Potter, David M., People of Plenty: Economic Abundance and the American Character (Chicago: University of Chicago Press, 1954).

Concern about the methods of persuasion used in advertising/ marketing communications and their degree of success is considerable, enhanced by the wide dissemination of emotionally-laden terms such as "hidden persuaders," "propaganda," and "huckster." People generally manage to believe that while they personally are seldom, if ever, influenced by advertising/ marketing communications, the rest of society is greatly influenced by the overwhelming power of advertising/marketing communications.

1.4.1 Obstacles to Resolving the Issues -

The visibility of advertising/marketing communications, along with ideological or aesthetic sensitivities to persuasion in general, may explain why it is of concern. But these factors do not explain why the controversy has persisted. There seem to be three major reasons why most of the questions surrounding the use of advertising/marketing communications have not been resolved satisfactorily. First, as mentioned above, individuals approach advertising/marketing communications with different interests and different "models of the world." These models, applied to a topic requiring careful analysis and often value judgments, usually complicate (if not eliminate) the possibility of reaching agreement on the issues or on the evidence. R.A. Bauer and S.A. Greyser referred to this phenomenon as "the dialogue that never happens." [4, 1967] They point out that the existence of different models of how marketing operates on the consumer is manifested in different conceptions of key words such as: competition, product, consumer needs, rationality, and information. Given these conceptual differences, it is not surprising that critics and defenders of advertising have seldom agreed on ways of resolving the issues.

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4. Bauer, R.A., and S.A. Greyser, "The Dialogue That Never Happens" Harvard Business Review, November-December, 1967.

Second, even when there is agreement as to the basic nature of advertising/marketing communications, it is difficult to substantiate opinion with fact because of the methodological problems of doing research on advertising/marketing communications. What variables should be examined and what variables should be controlled -- if control is possible? How should variables be operationally defined and measured? How can a cause-effect relationship be established unequivocally, given the limitations of available statistical techniques? We mention these major research headaches because they continue to plague researchers and analysts in attempts to reach definitive conclusions.

A third obstacle to resolving issues related to advertising/marketing communications -- and perhaps the most important of all -- is the inherent variability of the process. While the word "advertising" is used to designate all forms of paid, non-personal communications, there are obviously enormous differences in the purposes, forms, and effects of advertising. Often, critics and commentators tend to ignore these differences when they pose very general questions such as "What are the effects of advertising on consumer perceptions of differences among similar products?" The answer to any such general question is "It depends." It depends on how much advertising, of what kinds, are used. It depends on what products are involved, on what media are employed, on the kinds of consumers to whom the advertising is directed, ... and on a host of other factors.

Advertising practitioners, perhaps overly aware of the variability of advertising/marketing communications and of its effects, have tended to resist attempts even to state -- much less resolve -- issues stated in generalized form. But it seems clear that the issues discussed in this report cannot be dismissed by taking refuge in the statement that every combination of product, consumer, and message is a unique event, with no possibility of generalization. Somewhere between the extremes of unduly broad generalization and no generalization at all, we believe that there are patterns and relationships that can be identified and which can contribute to an assessment of the impact of advertising/marketing communications on markets and on society.

The question of "how general a generalization can be" will plague us throughout this report, and we emphasize it here in order to alert the reader as well as to avoid the necessity for repeated caveats that apply to virtually every subject treated herein. In almost every case, there is a significant gap between the levels of generality in the issues and the evidence available.

1.5 Organization of the Report:

As stated earlier, most of the issues related to the role of advertising/marketing communications can be traced back to questions of how these communications affect consumer behavior. For this reason, our discussion of consumer behavior comes first, in Chapter Two. The first part of that chapter summarizes briefly the issue of how advertising affects "primary demand" for products -- such as the total demand for coffee or for automobiles.

The bulk of Chapter Two is devoted to a discussion of the influence of advertising/marketing communications on choices of brands within product categories. We discuss the effects of advertising on consumers' attitudes toward brands and on their purchasing behavior.

The possible effects of advertising/marketing communications are explored in the context of available knowledge on how people "process" information from a variety of sources. Theories and research evidence on exposure to information sources, perception of communications, acceptance or belief, and retention are all reviewed as elements of a "filtering" process through which attitudes are formed and changed.

The last part of Chapter Two deals with the final stage of consumer decision-making, the purchase of brands within a product category.

Chapter Three is devoted to a review of theories and evidence on the economic effects of advertising/ marketing communications. Here, we consider relationships between advertising and the structure of markets -- the number and size distribution of competing firms, the extent of product differentiation, and entry and exit of competitors from an industry. The relationship of advertising to market structure leads to a consideration of how it affects "conduct," that is, the pricing and product innovation behavior of competing firms. Finally, we discuss issues relating advertising/marketing communications to market performance -- the end results of industry behavior, which include profits and consumer satisfaction.

Chapter Four deals with a variety of social issues that arise from concerns about advertising's impact on public values and attitudes, above and beyond its more direct effects on buying and using goods and services. Included in our treatment of social issues are such topics as the inherent nature of persuasion, information vs. deception, taste, and general effects of advertising/ marketing communications on values and life styles.

Needless to say, our discussion of these complex issues does not provide "final answers" to them. We intend the report as a basis for discussion, as a checklist of topics to be considered, and as a stimulus to further research.

Chapter 2

EFFECTS OF ADVERTISING/MARKETING COMMUNICATIONS ON CONSUMER BEHAVIOR

2.1 Introduction

In this chpater we shall review some of the many ways in which consumer behavior is thought to be affected by advertising/ marketing communications. This is a complex subject, on which substantial research effort has been expended -- particularly in product-specific settings. But few definitive results have emerged -- particularly regarding consumer behavior in general.

In the context of this chapter, advertising is viewed in terms of its basic function as a communication tool of selling, rather than in terms of its impact on the economy (Chapter Three) and society (Chapter Four). Thus we focus here on the interaction process between advertising on the one hand, and individual and group purchasing behavior, on the other.

2.1.1. Models of Consumer Behavior -

Consumer behavior is the study of the consumer decision processes involved in the selection and purchase of goods and services. It involves an examination of those stimuli available to the consumer and the responses he exhibits to those stimuli.

Ideally, a discussion of the effects of advertising/ marketing communications on consumer behavior should be based on, and organized by, some overall theory of how consumers make buying decisions. Unfortunately, efforts to develop and test such theories are in their infancy.

Several so-called "general models of consumer behavior" have, indeed, been proposed. Perhaps the best-known is that developed by Howard and Sheth. [1, 1969] Howard and Sheth visualize consumer behavior as a problem-solving process in which individual choices are initiated by "triggering cues." Choices are strongly influenced, according to Howard and Sheth, by a consumer's predispositions as well as by all the information to which he is exposed at the time of the choice. Post-purchase evaluations then serve to reinforce or weaken satisfaction with past choices, which may eventually develop into "automatic response" patterns.

While the Howard-Sheth model is useful as a general framework for describing consumer brand choice, it is so generalized as to be of practically no value in appraising the absolute or relative effects of advertising/marketing communications in a given situation. As pointed out by Engel, Kollat, and Blackwell in their evaluation of the Howard-Sheth model, there is a

> ...virtual absence of published research asserting [the model's] validity...In addition, major elements such as state of predisposition are defined in such abstract fashion as virtually to defy empirical manipulation. [2, 1968]

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1. Howard, John and Jagdish Sheth, The Theory of Buyer Behavior (New York: John Wiley & Sons, 1969).

2. Engel, James F. Kollat, David T., and Roger D. Blackwell, Consumer Behavior (New York, Holt, Rinehart, and Winston, 1968), p. 38.

Other generalized models such as that developed by Nicosia [3, 1966] suffer from the same lack of specificity and of empirical testing.

In the absence of well-developed and tested theories of consumer behavior, most advertisers rely on research-based models designed to explain purchasing in a specific product category or--more often--on rules of thumb and informal assumptions about "how marketing communications [and other influences] work." These specific models, formal or informal, have seldom been described in published form. Even if they were, they would probably be of doubtful validity in resolving the broad issues considered in this report. Models of consumer purchasing behavior for soft drinks and deodorants might, for example, portray very different roles for advertising/marketing communications. In the absence of a more general theory that would explain why such differences existed, product-specific models would not provide any basis for appraising questions that cut across a variety of industries and situations.

Our discussion of consumer behavior is not, then, based on any overall theory of consumer brand decisions. Instead, we discuss several major aspects of response to communications that are thought to be relevant for most consumers, most of the time, for most products and circumstances. In discussing these factors, we attempt to define the main issues that arise in relating each to advertising/marketing communications, and we review the major evidence available on these issues. The evidence is drawn from a variety of marketing and non-marketing sources and in many cases it adds up to very little

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3. Francesco Nicosia, Consumer Decision Processes, (Englewood Cliffs, N.J., Prentice-Hall, Inc., 1966).

in the way of reliable generalizations. In spite of all these limitations, we believe that the discussion which follows covers the main outlines of the "state of the art" on the subject of advertising/marketing communications and consumer purchasing behavior.

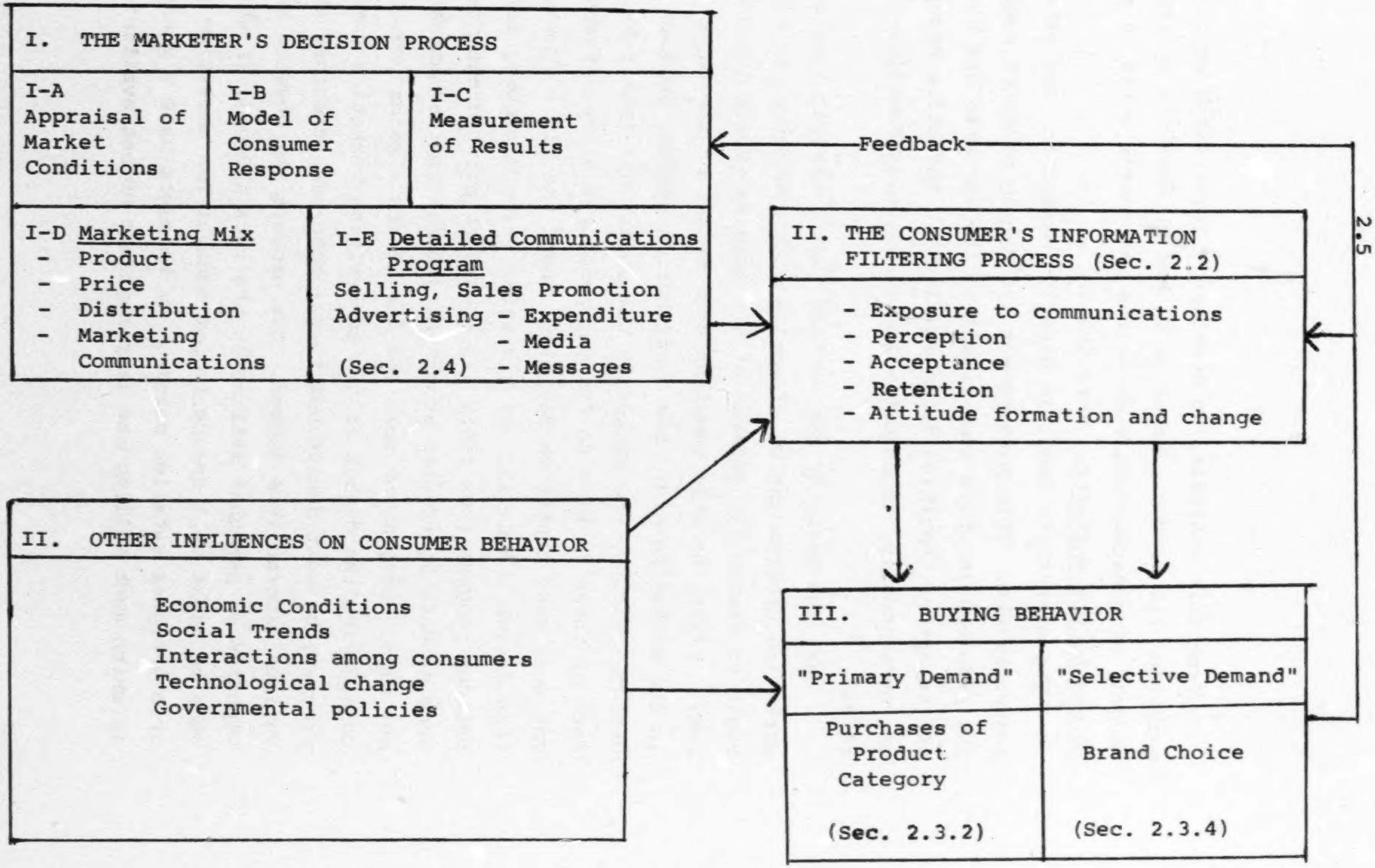
2.1.2 Marketers and The Consumer's World -

To aid the reader in obtaining an overview of consumer behavior, we have developed an organizational framework which relates advertising/marketing communications and other key market influences to a sequence of consumer responses. This framework is presented as Exhibit 2.1, and it provides a structure for the organization in this Chapter.

The reader should begin by assuming the viewpoint of a marketer designing a "marketing mix" to fit his market conditions. Marketers typically evolve a marketing mix or program on the basis of their past experience and through appraisal of current competitive conditions. As the marketer analyzes the conditions relevant to his particular situation [Box I of Exhibit 2.1] he will consider the competitive conditions in the industry [Box I-A]: what marketing programs have generally been effective, his market share, and a host of other factors. Also, he will assess the aggregate level of demand for the product category; consumer trends; and social, economic, and environmental trends, [Box II]. He will attempt to assess consumer demand for his particular brand (selective demand).

Exhibit 2.1

FRAMEWORK for DISCUSSION of ADVERTISING/MARKETING COMMUNICATIONS and CONSUMER BEHAVIOR


I. THE MARKETER'S DECISION PROCESS
I-A Appraisal of Market Conditions
I-B Model of Consumer Response
I-C Measurement of Results
I-D Marketing Mix
- Product
- Price
- Distribution
- Marketing Communications
I-E Detailed Communications Program
Selling, Sales Promotion
Advertising - Expenditure
- Media
- Messages
(Sec. 2.4)
Feedback
2.5
II. THE CONSUMER'S INFORMATION FILTERING PROCESS (Sec. 2.2)
- Exposure to communications
- Perception
- Acceptance
- Retention
- Attitude formation and change
II. OTHER INFLUENCES ON CONSUMER BEHAVIOR
Economic Conditions
Social Trends
Interactions among consumers
Technological change
Governmental policies
III. BUYING BEHAVIOR
"Primary Demand"
Purchases of Product Category
(Sec. 2.3.2)
"Selective Demand"
Brand Choice
(Sec. 2.3.4)

From this analysis, he develops a generalized approach to marketing his product, based on either an explicit or implicit "model" of consumer behavior -- the consumer's world as perceived by the marketer. [Box I-B].

The marketer's model is usually incomplete, and often inappropriate. This misjudgment frequently produces marketing problems in which some or all of the elements are badly off target -- resulting in an ineffective marketing effort or, occasionally, an effort which is actually damaging to sales.

Once the marketer has decided that a general type of marketing program can be effective with consumers, he will begin to design the details of his program [Boxes I-D and I-E]. First, he will consider some or all of the major elements in the marketing mix: his distribution system, product design, pricing, and marketing communications [Box I-D]. While each of these is hard to fix independently of the others, he may well make tentative decisions about the first three and then design the details of his advertising/marketing communications program [Box I-E]. It should be pointed out that for some product categories advertising/marketing communications may play a very minor role and for others a major one. In considering the design of his advertising/marketing communications program, he must decide how to allocate his resources among the various alternatives listed. His product may require an emphasis on personal selling at the retail level, in which case he might well decide to put much of his marketing funds into a higher retailer margin. Or he might have a product in which such selling was inappropriate or not available, and decide to spend the bulk of his funds on advertising. In most cases he will perceive advertising as only one of the several communications alternatives he has at his disposal.

Should he decide to advertise, he must make several tactical decisions. He must decide how much to spend on advertising, what media to use, and what the message should say.

Once he has decided on all of his marketing mix elements (including the elements in marketing communications and the specific structure of his advertising campaign), he will implement his marketing program in the hope he will favorably affect consumer behavior [Box III].

2.1.3 The Consumer's Filtering Process -

We have structured the way in which consumers respond to marketing communications as a multi-stage "filtering process," in which the stimuli of the marketing program are interpreted according to the consumer's own set of needs and values. This process screens and modifies the information presented by advertising/marketing communications and from other sources. In Section 2.2 of this chapter, we discuss each of the steps in the filtering process in turn.

Those stimuli that survive the filtering process have some influence on consumer buying behavior [Box III]. In Sections 2.3.1 - 2.3.3, we discuss possible effects of advertising/marketing communications on total purchases and on "primary demand" for products. "Selective demand" -- the choice of brands within a product category -- is treated in Section 2.3.4.

2.2 The Information Filtering Process:

2.2.1 Introduction -

This section will present a framework for organizing the process by which consumers handle informational inputs in making decisions about purchases.

The framework is not unlike the traditional hierarchy of "effects" model which posits that the consumer information and purchasing process proceeds from awareness of the advertisement through knowledge, liking, preference, conviction and purchase. We have used a slightly different conceptualization which better describes, in our opinion, the process involved. Our framework starts with selective exposure and information seeking, proceeds through selective perception, acceptance (believability), retention, and attitude formation. Attitudes formed in response to marketing communications (and other influences) constitute one major input into buying behavior.

In the process depicted in Exhibit 2.2, we see informational inputs moving through a series of perceptual filters. At each filter the number of informational inputs becomes diminished in number with some being excluded from the process as they conflict with the individual's existing need and value system. Often inputs will be modified by the consumer to become more consistent with the individual's existing value system.

On the left side of the diagram we see various advertising and other informational inputs (A) (including informal sources such as word-of-mouth behavior) impacting upon (or being sought out by) the consumer. In the information seeking and selective exposure filter (B) inputs are recognized by the consumer and move to selective perception filter (C) where, depending upon their compatability with existing value systems, they are either eliminated, modified, or retained in their original form. Similarly they interact with the acceptance filter (D) (relating to believability) and the retention filter (E) (which includes memory effects). At each filter the informational input being processed can be accepted, reinforce existing attitudes, be rejected, or modified. These four filters feed into the attitude filter (F).

At the attitude filter (F), inputs passing through previous filters (B-E) will reinforce existing attitudes (1), form or start to form new attitudes (3), or conflict with existing attitudes sufficiently to be eliminated from the process (4).

From the many different attitudes in a person's perceptual framework, some "net" attitude representing "conviction" or "decision to buy" will emerge. This will provide the link between the informational system and purchasing behavior (G).

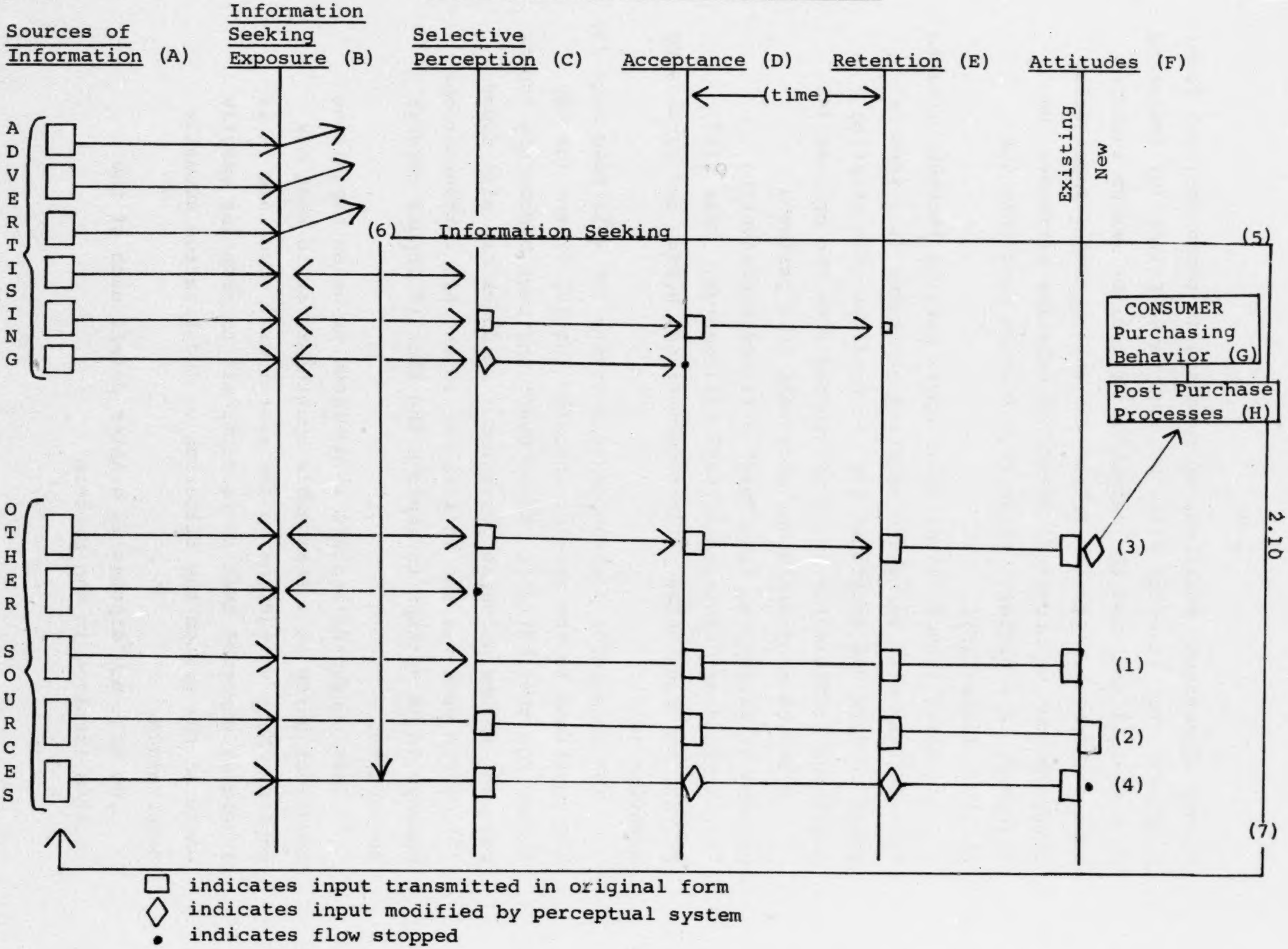
The consumer's post-purchase activity (H) will feed back (5) his reactions to the product into the initial filter (or any filter for that matter). These reactions then become new inputs relevant to new purchase decisions. Feedback may also occur (7) as the marketer who in turn may adjust his communications package in an attempt to improve the flow if inputs through the system.

This conceptualization is designed to be an organizing construct which is a reasonable hypothesis as to what may happen. Many variations in the system will occur and it is generally conceded that it is difficult to pinpoint exactly where in the system the filtering or modification actually takes place.

We will now discuss in greater detail each of the filters involved in the process.

Exhibit 2.2

Consumer Information Filtering System


Sources of Information (A)
Information Seeking Exposure (B)
Selective Perception (C)
Acceptance (D)
Retention (E)
Attitudes (F)
(time)
Existing
New
A D V E R T I S I N G
O T H E R S O U R C E S
(6)
Information Seeking
(5)
CONSUMER Purchasing Behavior (G)
Post Purchase Processes (H)
(3)
(1)
(2)
(4)
(7)
□ indicates input transmitted in original form
◇ indicates input modified by perceptual system
• indicates flow stopped

2.2.2 Information Seeking and Selective Exposure -

The relative role of advertising vis a vis other sources of information is difficult to assess. Certainly advertising has more impact in certain market situations than in others. It has greater effects for certain product categories, and in some cases certain brands, than for others. Studies in which consumers state their sources of information usually indicate little dependence on advertising. While consumers may wish to avoid claiming or admitting reliance on advertising, or simply cannot remember, non-advertising information sources are certainly used extensively by many consumers. [4, 1967]

Any complete study of advertising's effects must take account of the amount of advertising; the content of the message; the source to which it is ascribed; and the media in which the message appears. (See Section 2.4) Other measurements would have to be taken to assess equally important influences of word-of-mouth behavior, pre-existing consumer attitudes toward the brand or outlets in which it is sold, its price, the amount and content of any personal selling involved, the amount of risk or reward involved in making the purchase, and a host of other factors. The complexity involved undoubtably contributes to the lack of studies attempting to isolate advertising's relative weight vis a vis other informational inputs.

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4. A number of studies have found advertising to be less effective than other sources in certain situations. For a review, see: Arndt, Johan, "Word of Mouth Advertising and Informal Communication," in Risk Taking and Information Handling in Consumer Behavior, Donald F. Cox (ed) (Division of Research, Harvard Business School, Boston, Mass., 1967), pp. 188-239.

Consumer Information Seeking: There have been a number of studies during the last 10 years illustrating the fact that consumers seek out information relevant to purchase decisions and are not simply passive recipients of advertising or other informational inputs. [5, 1963; 6, 1964; and 7, 1967].

The literature on informal communications which concerns itself with word-of-mouth behavior among consumers provides ample evidence of information seeking behavior, "opinion leaders" -- those influentials who either for their own rewards, or because they are sought out by others, transmit product information to others. This process is considered to be an especially important factor during the early stages of growth for new products or brands. [8, 1967]

The assumption is frequently made that consumers will seek out information for those product decisions which they find most important. The purchase of a low-priced supermarket product may elicit little information-seeking, while the purchase of an appliance might. Certainly other information seeking patterns (in addition to word-of-mouth behavior) may well take place. These might include more extensive shopping, an increased attention to advertisements, a review of published

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5. Bauer, R.A. "The Initiative of the Audience," Journal of Advertising Research (New York: Adv. Research Foundation, June 1963), pp. 2-7.
6. Bauer, R. A. "The Obstinate Audience," American Psychologist, May, 1964), pp. 319-328.
7. Cunningham, Scott M., "Perceived Risk as a Factor in Informal Consumer Communications," in Risk Taking and Information Handling in Consumer Behavior, Donald F. Cox (ed), Division of Research, Harvard Business School, Boston, 1967) pp.265-288.
8. Arndt, Johan, Same Reference as Footnote 4, pp. 188-239.

information sources (such as Consumer Reports) and the assimilation of a variety of cues such as price, product design, or the name of the retail store. In the case of a low-priced item of little risk, a consumer might simply purchase the product and use his experience with it as informational input. In the case of a high-risk product, Arndt notes that word-of-mouth discussion is a "risk-reducing" procedure utilized prior to adoption of the product. The spread (or diffusion) of information throughout a population is linked toward word-of-mouth activity and has received extensive treatment in the literature, much of it concerned with the study of political attitudes and the adoption of new drug or agricultural products. In reviewing this literature Arndt concludes:

> In general, word-of-mouth emerges as one of the most important, possibly *the* most important source of information for the consumer. Word-of-mouth may both accelerate and slow up product acceptance, depending on factors like content of messages and group norms toward innovation. While word-of-mouth may be a carrot to marketers offering good products, it may function as a stick, should the products turn out to fall substantially short of consumers' expectations. [9, 1967]

Selective Exposure: Selective exposure is the process by which the consumer elects to receive only certain advertising stimuli or certain product information. Bauer and Greyser note that in some cases the consumer's problem of having to handle increasing amounts of information can be simplified

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9. Arndt, Johan, Same Reference as Footnote 4, p. 238.

considerably by "ruling out whole categories of messages, e.g., ignoring all third class mail...or use TV commercial time as an opportunity to engage in a variety of other activities."[10,1967]

There is some evidence that consumers may limit their information inputs in many different ways. A number of studies have indicated that consumers visit stores a relatively small number of times even for important purchases such as color televisions. Such shopping studies include [11, 1954]; [12, 1969]; [13, 1966]. It may well be that consumers substitute word-of-mouth or telephone discussions for more difficult information gathering in "shopping around."

It is safe to say that consumers do act in ways which will limit the number of advertising stimuli to which they must attend. It is likely that this is done in order to simplify their perceptual world and/or because they have better uses for the time involved is difficult to determine.

Despite the complexity of the issues involved, it is evident that the effects of advertising/marketing communications are substantially limited and moderated by the tendency of the consumer selectively to accept only certain advertising stimuli, and to engage in information seeking from sources beyond the control of the marketer.

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10. R. Bauer and S. Greyser, Advertising in America, (Boston, Division of Research, Harvard Business School, 1967), p. 357.
11. George Katona and Eva Mueller, "A Study of Purchase Decisions," in Lincoln H. Clark, (ed) Consumer Behavior: The Dynamics of Consumer Reaction, (New York, New York University Press, 1954), pp.30-87.
12. Louis P. Bucklin, "Consumer Search, Role Enactment and Market Efficiency," Journal of Business, Vol. 42 (October 1969) pp. 416-38.
13. Jon G. Udell, "Pre-purchase Behavior of Buyers of Small Electrical Appliances," Journal of Marketing, Vol. 30 (October, 1966), pp. 50-52.

2.2.3 Selective perception -

Not all consumers perceive the same things from identical stimuli such as an individual advertisement. This distortion is known as selective perception. As Myers and Reynolds point out in their synthesis of the selective perception literature:

> ...an idea, object, or event tends not even to enter the conscious mental stream unless it conforms reasonably well, not only with the things we have come to expect in our culture and society, but also with our own personal interests, goals, and objectives of the moment. If it does not, it tends to be overlooked, ignored, forgotten immediately, or otherwise rejected; as far as our conscious mind is concerned, it simply doesn't exist. [14 , 1967]

Cox has talked about selective perception in terms of "predispositions" noting that stimuli consistent with a consumer's predispositions are more likely to survive the filtering process and affect attitudes -- and, consequently, behavior. He notes that:

> Some people or groups are more predisposed than others to be influenced by advertising for a particular product or brand.
>
> Three groups of factors which interact to make an individual more (or less) predisposed to be influenced by any particular communication [are]:

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14. Myers, James H. and William Reynolds, Consumer Behavior and Marketing Management, (Boston, Houghton Mifflin Company, 1967).

> (1) the physical and economic reality which an individual experiences, (2) his personality, and (3) the social environment in which he lives. [15 , 1961]

Selective perception as a concept helps explain the relatively low level of consumer awareness that many advertising campaigns seem to achieve. Advertising recognition scores are frequently low and only a relatively small number of advertisements appear to make a conscious impression on the average consumer.[16, 1968] Where a product is of high saliency, (higher risk, importance) he is much more likely to perceive stimuli relating to that product. For example, the current issues that relate to detergent phosphates have undoubtedly made many consumers more aware of advertisements for new detergent brands. These advertisements might well have been ignored previously.

The concept of selective perception is also related to the ability of an individual to ascribe a broader meaning to stimuli than that initially intended by the advertiser. For example, a visual sketch or short phrase might evoke a much larger image in the consumer's mind. To the extent that people have common perceptions about objects, they may fill out the rest of the picture similarly. Conversely, varying perceptual frameworks would evoke differing images.

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15. Cox, Donald F. "Clues for Advertising Strategists," Harvard Business Review, (November-December, 1961), Reprinted in D. F. Cox (ed.). Risk Taking and Information Handling in Consumer Behavior (Boston: Division of Research, Harvard Business School, 1967), p. 136.

16. Bauer, Raymond A. and Stephen A. Greyser, Advertising in America (Boston: Division of Research, Harvard Business School, 1968), p. 176.

While some advertisements are more effective than others in passing through the selective perception filter, all advertisements are modified to some extent depending upon the importance of the product and the amount of congruence that the message has with the consumers own value system.

Lest the uniqueness of each consumer's individual perceptual screen be interpreted as negating the effects of all advertising, it should be noted that there are many groups or market segments which share sufficiently similar perceptions regarding a specific product category to interpret stimuli in a reasonably uniform way. For many consumers, the purchase of some product category is not a particularly involving process and some perceptual factors which might otherwise be evoked remain uninvolved in the process. The size of the group sharing common perceptions is frequently overestimated by marketers but nevertheless, perceptual stimuli can be perceived by more than one consumer in a reasonably uniform way.

As in the case of much of our review of advertising's impact on consumer behavior, the issues involved in selective perception are quite complex. It appears that such a filtering process does take place, but that it varies greatly among individuals and buying situations. Measurement problems associated with research methodology, however, make it unclear as to exactly where in the entire filtering process information is excluded.

2.2.4 Acceptability (Believability) -

In the preceding section, we discussed the filtering process by which the consumer selectively exposes himself to and perceives advertising stimuli. Still another filtering or discounting process occurs when consumers apply the concept of acceptability to those incoming advertising stimuli that survive (and are modified by) selective perception.

By the term "acceptance," we are referring to an aspect of consumer response that could equally well be designated "believability" -- namely, the process through which the consumer evaluates stimuli and develops final belief in or acceptance of an advertising claim. (We have used the term acceptance to avoid confusion with the literature on "beliefs," a term often used essentially as a synonym for attitudes -- which will be discussed later in this section.)

There is growing agreement that a consumer's final acceptance of a product claim is the result of a gradual process in which the degree of acceptance may well move from negative (or neutral) to positive positions through successive re-evaluations of the same or similar stimuli over a period of time.

Acceptance, therefore, is both a filter which modifies response to communications at a given point in time, and also a component of attitude toward such stimuli and toward the brand or product itself. For example, a consumer may respond to an advertisement in a skeptical way which may well influence his buying behavior at that point in time. However, as he tests the inputs from that and subsequent advertisements against other information, he may find the advertising increasingly more believable; this may result in a change in attitude and possibly subsequent purchase.

While advertisers have traditionally believed that acceptance (believability) is a prerequisite to effectiveness for a specific advertisement, Maloney, has stressed the evolving nature of believability and has concluded that "an advertisement need not be believed completely to be effective." [17, 1963] He notes further that:

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17. Maloney, John C., "Is Advertising Believability Really Important?" Journal of Marketing, Vol. 27, No. 4 (June 1963), p. 1.

> ...believability is not an inherent property of the advertisement itself. It is not a mystic something that some ads have and others do not have. Believability depends upon the interaction of each advertisement with the consumer's attitude and memories accumulated from prior experience. [18 , 1963]

The literature generally reflects a conclusion that consumers are inclined to test advertising claims against some standard of believability.

Messages which are consistent with existing predispositions pass more easily through the filter. These are termed by Maloney as "reminder messages", which he concludes are believed easily. Persuasive messages aimed at changing attitudes, conflict (by definition) with pre-existing attitudes and values and are not so easily accepted. He notes:

> It is now apparent that no advertising is likely to be completely believable when its purpose is to change people's minds. [19 , 1963]

Maloney's review concludes that changes in acceptance of advertising claims come slowly and include various stages of disbelief, curiosity, partial belief, belief and perhaps trial. A 1962 study by Maloney pointed up some of the behavioral effects of advertising believablility. He found that when consumers were asked whether they would serve

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18. . Maloney, John,C."Is Advertising Believability Really Important?" Journal of Marketing, Vol. 27, No. 4 (June, 1963), p. 1.

19. · Maloney, John C. "Is Advertising Believability Really Important?" Journal of Marketing XXVII No. 4 (June, 1963), p. 1.

a low cost food product, those believing the advertising for it were more likely to say they would serve it than were those disbelieving the ad. [20, 1962] Interestingly, those who were curious about the believability of the advertising were also likely to indicate that they would serve the product. Thus, curiosity may in some case lead to the same behavior as belief, and that trial is a simple way of collecting information in the case of low risk, low cost products. These findings should not be generalized to more expensive or risky products for which other information-seeking procedures such as word-of-mouth, may be used.

The factors affecting advertising acceptance are many and varied. To mention a **few** -- the source of the communication may affect acceptability -- messages associated with a "highly credible" source are more believable. On the other hand, defensive avoidance or discounting can occur if the sources are perceived to have low credibility or to be untrustworthy. [21, 1969] Over time, the connections between messages and sources may become forgotten and the message originally connected to a low credibility source may become more believable. [22, 1952]

Acceptance depends upon the consumer's view of the intent of the source as well as the message of the advertiser.

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20. Maloney, John C., "Curiosity vs. Disbelief in Advertising," Journal of Advertising Research, Vol. 2 (June, 1962)

21. Zimbardo, Phillip and Ebbe B. Ebbesen, Influencing Attitudes and Changing Behavior (Reading, Mass.: Addison-Wesley, 1969) pp. 27-30.

22. Hovland, Carl I. and Walter Weiss "The Influence of Source Credibility on Communication Effectiveness" Public Opinion Quarterly, (Winter 1951-52).

"If the audience is confronted with a communicator who's trying to convert it to a position opposed to its own, it is likely to see him as biased...and come away further strengthened in its own convictions...." [23 , 1964] for example, a cereal manufacturer who has developed a nutritional theme for his brand; but if the consumer is predisposed to think of cereal as a minimal source of nutrition, the consumer may not believe the advertiser's message and thus fail to purchase. However, he might not be concerned about nutrition, or make a "buy" decision on other grounds more important to him.

The media used for the transmission of the message have an impact on acceptance. The same story or advertisement in a sensational pulp magazine would, for many consumers, have a different acceptance level than it would in a prestige magazine. Word-of-mouth communications frequently are perceived as having high believability.

Clearly the message content transmitted has great impact on believability. Those messages inconsistent with the consumer's perceptual system will be temporarily or permanently rejected or modified.

Past experience with a product can affect the believability of an advertisement. An advertisement claim which might be perceived by a non-user of a product as unbelievable could be perceived as believable by a user -- or the reverse could be true.

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[23] Bauer, Raymond A. "The Obstinate Audience: The Influence Process from the Point of View of Social Communication" American Psychologist (Nov., 1964) p. 321.

Believability has substantial relevance to the issue of advertising's ability to create "artificial" differences among products. The extent to which such differences can be created depends upon consumer willingness to believe that such differences do, in fact, exist. The length of time necessary for acceptance to evolve, provides for many consumers ample opportunity for testing "artificial" difference claims against other data.

The acceptance "filter," when applied to the surviving stimuli of the selective perception process, has a substantial impact on the number and character of stimuli which are retained by the consumer.

2.2.5 Retention -

One aspect of the impact of advertising/marketing communications on consumer purchasing behavior which has recently become controversial is the extent to which the effects of advertising/marketing communications persist over time. [24] In examining this issue, our discussion will involve two major topics:

(1) Evidence on lagged effects of advertising/marketing communications on sales (consumer purchases).

(2) Evidence on the persistence of advertising/marketing communications effects.

Evidence on Lagged Effects of Advertising/Marketing Communications on Sales:

Is there evidence that advertising/marketing communications in a given time period do have some effects on consumer purchases in future time periods (i.e., do have "lagged effects")?

Past research has shown that there is often a significant statistical relationship between the amount of advertising/ marketing communications in a given time period and sales of a product in future time periods. For example, an empirical study of the lagged effects of advertising has been reported by Kristian Palda. At the conclusion of his study, Palda stated that the data "...led to the affirmation of the potential usefulness of the cumulative effects approach in the measurement of advertising effectiveness." [25 , 1964] In another study, D. S. Tull examined evidence bearing on the question of the existence of a carry-over effect, and also constructed models involving repeat purchasing and impression cumulation as underlying reasons for a carry-over effect. Tull suggested that there are at least two reasons for believing that a carry-over effect on consumer purchases may occur. First, if advertising introduces consumers to the advertised product *and* if certain of these consumers become repeat purchasers of the product and develop some degree of loyalty to it, there will be a sales carry-over effect of the earlier advertising. Second, a carry-over effect will occur if advertising impressions "cumulate" over time to yield sales results. That is, repeated exposures reinforce each other in inducing the consumer to purchase. [26 , 1965] In another study of "distributed lags," Roy Jastram concluded that there typically *are* time lags, based on a review of prior research showing recognition of its existence by advertisers and researchers. [27 , 1955]

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[24] This issue has become central in recent discussions by the FTC of possible "corrective advertising." On the premise that advertising effects persist over time, the FTC has proposed "corrective" requirements, e.g., that a company devote 25% of its advertising budget for the product in question to a year-long campaign correcting alledgedly misleading claims.

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25. Palda, Kristian S. *The Measurement of Cumulative Advertising Effects* (Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1964) p. 83. The term "*lagged*" or *cumulative* effects is defined on p. 8 by Palda as: (1) the effects of a perceived advertisement which influences two or more successive purchasing decisions of a consumer with regard to a given product (or brand of a product), or (2) the effects of an advertisement which influences consumer buying behavior beyond the period of its appearance. The term *carry-over* refers to the effects of one exposure to advertising/marketing communications carrying over to the next exposure.

26. Tull, D. S. "The Carry-Over Effect of Advertising" *Journal of Marketing*, (April, 1965) p. 53.

27. Jastram, Roy W. "A Treatment of Distributed Lags in the Theory of Advertising Expenditure" *Journal of Marketing*, Vol. XX, No. 1, (July, 1955) p. 36. The references he cites as examples are: N. H. Borden, *The Economic Effects of Advertising* (Chicago: Richard E. Irwin, Inc., 1942), pp. 105, 135, 137, and 140; E. T. Gundlach, *Facts and Fetishes in Advertising* (Chicago: Consolidated Book Publishers, Inc., 1931), pp. 307 ff., especially pp. 315-16; L. C. Lockley, "The Turn-Over of the Refrigerator Market," *Journal of Marketing*, (January, 1938), pp. 211-12; C. Margolis, "Traceable Response as a Method of Evaluating Industrial Advertising: A Case Study," *Journal of Marketing*, (October 1947), pp. 202-210.

As illustrated by the studies cited above, there is general agreement among researchers involved in "management science" work in marketing that in most cases there are time lags in the relationship between advertising/marketing communications and consumer purchases. A leading authority in the field has stated:

> A significant problem in the measurement of sales response to advertising is the likelihood that the sales response to an advertisement may continue over many periods, perhaps even years. [28, 1969]

However, it is important to note that this carry-over/cumulative aspect could arise even if the communications effects of advertising/marketing communications (that is, recall, product knowledge, attitudes about products, etc.) do not persist over time, because of "brand loyalty" (see Section 2.3.4 of this Chapter regarding brand loyalty). Briefly, brand loyalty is a pattern of consumer behavior over time in which a consumer makes repeated purchases of a brand. It can be caused by: (1) inertia -- an effort of the consumer to reduce perceived risk and/or brand-choice costs; (2) psychological commitment or preference -- such as self-involvement with the product; and (3) marketing strategies -- such as number and distribution of brands, or contractual arrangements as in subscriptions or clubs. [29, 1968]

It is also important to point out that studies showing evidence of time lags in the relationship between sales and

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[28] Montgomery, David B. and Glen L. Urban, Management Science in Marketing (Englewood Cliffs, New Jersey, Prentice-Hall, Inc., 1969) p. 104.

[29] Engel, James F., David T. Kollat, Roger D. Blackwell Consumer Behavior (New York, Holt, Rinehart and Winston, Inc., 1968) pp. 606-610.

advertising/marketing communications do not measure all levels of consumer response. Evidence of delayed effects on sales, by itself, does not provide explanation of why and how long lagged or cumulative effects persist over time. In concluding his research on the measurement of cumulative advertising effects, Palda refers to this lack of data:

> Theoretical articles concerned with this phenomenon are not lacking, but empirical investigations are scant. If lagged effects are present in many advertising situations, it follows that an important gap exists in advertising research. [30, 1964]

It is therefore relevant to consider other dimensions of consumer response to advertising/marketing communications which affect purchasing behavior over time.

Evidence on the Persistence of Advertising/Marketing Communications Effects:

In discussing non-sales measurements of consumer response to advertising/marketing communications over time, it is important to examine behavior relating to learning and remembering, since the purpose of advertising/marketing communications is to have the consumer learn something and then remember it. Numerous experiments over the years by psychologists have shown that most of us forget rapidly and that different measurement scores are obtained, depending on the method used to measure recall. [31, 1963]

In an advertising context, a study to obtain evidence on the persistence of advertising effects was conducted by Zielske,

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30. Palda, Kristian S. The Measurement of Cumulative Advertising Effects (Englewood Cliffs, New Jersey, Prentice-Hall, Inc., 1964) p. 85.

31. Lucas, Darrell Blaine and Steuart Henderson Britt, Measuring Advertising Effectiveness (New York, New York, McGraw-Hill, 1963), Chapter 3.

who developed a design for measuring what he called "the remembering and forgetting of advertising." Zielske measured recall of advertising content at various intervals following exposure to mail advertisements. His results showed a steadily declining proportion of the audience recalling the message. [32, 1959] Another study by Stewart, however, yielded somewhat different results. Stewart went beyond recall to measure other non-sales variables of brand awareness, product knowledge, and intentions to buy among consumers in a test market. When advertising stopped, it appeared that brand awareness declined but product knowledge and brand image remained relatively unchanged. [33,1964]

Any generalizations about the persistence of communication effects must be qualified because a variety of factors, in addition to the passage of time *per se*, influence recall. The extent of recall seems to be related to consumers' attitudes prior to exposure to advertising, their interest in the subject of the communications, and other factors. [34, 1968]

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32. Zielske, Hubert "The Remembering and Forgetting of Advertising" (Journal of Marketing, Vol. 23, January, 1959) pp. 239-243.

33. Stewart, John B. Repetitive Advertising in Newspapers - A Study of Two New Products (Harvard University - Division of Research, Graduate School of Business Administration, Boston, 1964), Chapters 7, 8, 9, 11. Summary based on: Krolikowski, Thomas and Alvin J. Silk "Estimating Short-Term Forgetting of Magazine Advertising (Unpublished; Preliminary Draft, 1970).

34. Engel, James F., David T. Kollat and Roger D. Blackwell Consumer Behavior (New York, Holt, Rinehart and Winston, Inc., 1968) p. 186.

Another factor related to consumers' remembering/ forgetting over time is what value effect repetition has on retention. Experimental work to date has led to the following conclusion: retention increases with repetition. However: (a) repetition distributed over several periods leads to greater retention than repetition concentrated in a single period; (b) variation in form, style, and expression during repetition, together with repetition of main points, may result in greater retention than repetition of the identical message; (c) the greater the complexity and length of the message, the greater the amount of repetition necessary to produce retention; and (d) the greater the interference from competing messages, the greater the amount of repetition necessary to produce retention. [35 , 1970]

Determining the critical point where the value of further repetition begins to diminish is difficult. For example, Hovland, Janis and Kelley, after reviewing several experiments, say:

> Repetition does not influence the retention of the information content of a communication in any simple manner. While the usual effect is to increase retention under some circumstances, too frequent repetition without any regard leads to loss of attention, boredom, and disregard of the communication. [36 , 1953]

In the most current review of studies on repetition effects, the authors conclude that different measures (such as attitude, purchase intention, ad recall) have produced differing results. "In fact, depending on the measure, the results of repetition can be positive, negative, or non-existent." [37, 1971]

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35. Robertson, Thomas S. Consumer Behavior (Glenview, Illinois, Scott, Foresman and Company, 1970) pp. 28-29.

36. Hovland, Carl I., Irving L. Janis and Harold H. Kelley, Communication and Persuasion (New Haven, Conn., Yale University Press, 1953) p. 247.

37. Ray, Michael L., Alan G. Sawyer and Edward C. Strong "Frequency Effects Revisited" Journal of Advertising Research, Vol. 11, Number 1, (February, 1971) p. 16.

As a final comment on the Persistence of Advertising/ Marketing Communications Effects, it can be said that effects are limited by consumer characteristics which range from audience size to consumer intentions, and that there is a "frailty of memory" [38 , 1964] -- over time, people gradually forget the actual message. As stated earlier, however, "...there can later be an increased (or lagged) effect of advertising on attitudes or behavior if predispositions are sufficiently favorable, if the initially unfavorable predispositions fade, or if later experience supports the message." [39, 1964]

Conclusions and Implications for Research:

In the state-of-the-art data on the extent to which the effects of advertising/marketing communications persist overtime, very little is useful in providing a basis for advertising decisions. The reasons are the difficulty of measurement, methodology, and the limited scope of published research to date. More studies are needed which measure all of the variables of consumer purchasing behavior and which use techniques that contribute to an empirical analysis of the impact of advertising/ marketing communications on consumer behavior over time.

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38. Fisher, Shelton, as President of McGraw-Hill Publications, in an address to the 42nd Annual Conference of the AIA on the "Four Vagaries of the Market Place" (1964) McGraw-Hill Key #8088.

39. Berelson, Bernard and Gary A. Steiner Human Behavior-An Inventory of Scientific Findings (Harcourt, Brace & World, Inc., 1964) p. 543.

2.2.6 **Attitudes** -

Attitudes comprise perhaps the most important "filtering" mechanism affecting individual consumer responses to advertising and other marketing communications. The operation of consumer attitudes is a two-way process: advertising/marketing communications affect consumer attitudes, and consumer attitudes affect responses to advertising/marketing communications. This section will be primarily concerned with the influence of advertising on consumer attitudes.

Attitude research suggests that attitudes are formed by consumer reaction to advertising and other inputs as these inputs pass through a series of steps or filters in the consumers perceptual system. Attitudes have been assumed to immediately precede behavior with some form of final "net" attitude or conviction linking the many different attitudes of a consumer with the final single purchase decision. Marketers interest in attitudes has been strong as they reason that changes (or reinforcement) in attitudes will influence behavior.

Another reason for marketers' interest in attitudes is the fact that they represent a convenient measurement of advertising performance. Only rarely can sales be used as a valid criterion of advertising performance, since many other factors can affect sales. The assumption is made that attitudes immediately precede sales response and are measurable. Therefore, attitude surveys are frequently used as measures of advertising performance. [40, 1961]

Attitudes defined: We may adopt Allport's definition of attitude. [41, 1935]:

> An attitude is a mental and neural state of readiness to respond; organized through experience, exerting a directive influence on behavior.

Well-developed attitudes are frequently defined as having three components: the knowledge component (measured, for example, by aided and unaided recall tests); a feeling component (consumers' overall feelings of liking or disliking); and an action-tendency component (consumers' buying intentions). If a consumer only knows of a product, but does not have feelings about it, and does not intend to buy it, this is an attitude which is not well developed, and may be in the beginning stages of formation. On the other hand, a consumer may have a strong preference for a particular brand. She knows about it, has strong positive feelings about it, and intends to buy it. Thus, a preference is an especially strong, well-developed attitude.

Attitudes vary in degree of generality. A consumer might have negative attitudes toward advertising generally, but may have positive attitudes about specific advertisements.

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40. Wolfe, Harry D., et al, Measuring Advertising Results (New York: National Industrial Conference Board, 1961).
41. Allport, G. W. "Attitudes," in C. Murchison, (Ed.), Handbook of Social Psychology, Worcester, Mass.: Clark University Press, 1935, pp. 798-884.

Attitudes also vary in intensity. A housewife may have specific attitudes toward one brand, but if that brand is not available, she may simply buy another brand. In this case, the strength of her positive attitude about her preferred brand is not strong enough to impel her to shop elsewhere for it. This example also serves to illustrate the fact that attitudes are interrelated. In addition to her attitude about the favorite brand, the housewife may also possess attitudes regarding the amount of effort she wishes to expend in shopping. In the example, her attitudes toward shopping outweighed her attitudes toward her favorite brand.

Effects of Advertising/Marketing Communications: Advertising/marketing communications affect consumer attitudes in various ways. The most important of these ways are as follows:

(1) By providing new information -- i.e., information about new products, product improvements, and so forth. Advertising is a major influence on consumers' perceptions of products and brands. If a new product is advertised in a particular setting, or is associated with particular people, the resulting attitudes which consumers may form about it constitute how they "come to know" the product or brand.

(2) By reinforcing existing attitudes. Except in a few cases, such as a totally new product, consumers typically hold pre-existing attitudes which advertising may affect by reinforcing them. Little is known about the gradual process

of reinforcing brand choice through advertising. For example, a consumer who is "brand loyal" may suddenly change her attitude toward the brand she has been buying for years, in spite of continued exposure to advertising for that brand. In such a case, advertising for other brands may result in more favorable attitudes, thus displacing the earlier favorable attitudes toward the original brand. However, advertising is generally more effective in reinforcing than in changing attitudes. [42, 1971]

Similarly, advertising is important in reinforcing attitudes after purchases -- particularly major ones. Following major purchases, many consumers may feel "psychologically uncomfortable," wondering if they made the right choice, if they paid the best price, etc. This uncomfortable state has been called "cognitive dissonance" by some psychologists. [43, 1957] Advertising exposure following such purchases reinforces consumer attitudes, by giving consumers a basis for justifying their choice. These reinforced attitudes may then be a factor in influencing the consumer, to repeat the brand choice in the next buying situation.

(3) By transferring general attitudes to specific situations. The point has been made that attitudes help consumers to "know" products or

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[42] Day, George, "Theories of Attitude Structure and Change," chapter in S. Ward and T. S. Robertson (eds.), Consumer Behavior: Theoretical Sources, (forthcoming).

[43] Festinger, Leon, A Theory of Cognitive Dissonance, Stanford, California: Stanford University Press, 1957.

brands. Consumers respond to advertising and other marketing communications in the context of previously-formed attitudes which filter the incoming advertising and to some extent shape the formation of new consumer attitudes. These new attitudes are likely to be consistent with the previously-held, more general attitudes. For example, Claycamp and Liddy [44, 1969] studied attitudes toward 58 new grocery and drug products and found that on average, use of a "family brand name" meant a nine percent higher initial trial rate. Thus, a consumer's general positive attitudes toward a family brand name may be transferred to new products which are added to the line.

(4) By "identification" or "value association." Consumer attitudes are frequently formed by associating products in advertising with movie stars, sports heroes, etc. Positive attitudes toward the movie stars may generalize to the product because people frequently identify with such individuals portrayed in advertising and other marketing communications.

(5) By changing attitudes. Advertising and other marketing communications can change pre-existing attitudes, but a distinction must be made between "attitude change" which involves changing a consumer's attitude from one position to a different position, and "attitude change" which may simply mean that the information consumers acquire from advertising

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44. Claycamp, H. J. and L. E. Liddy, "Prediction of New Product Performance: An Analytical Approach," Journal of Marketing Research, Vol. 6, Nov, 1969, pp. 414-420.

contributes to their developing attitudes toward products or brands. Most advertising affects consumer attitudes in the latter way -- by providing information about products or brands which accumulates and gradually leads to formation of attitudes about the product or brand.

Attitudes and Behavior: Although the "hierarchy of effects" models of advertising's effects on consumers portray advertising as preceding -- and, perhaps, "causing" sales -- there is no definitive answer to two questions:

(1) Do attitudes always precede behavior (sales)

(2) Do attitudes actually predict behavior?

Charles Ramond [45, 1965] and Herbert Krugman [46, 1966] have argued that consumers can buy a product without holding any attitude about it previously. Attitudes may then be formed after purchase. This idea is quite contrary to the "hierarchy of effects" notions which portray attitudes as always preceding sales.

Another "moot" question concerns whether attitudes in fact "predict" sales -- that is, are a "cause" of sales. Some studies have shown that aggregate measures of brand attitude are highly correlated with objective measures of market share for single time periods [47, 1966] and

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45. Ramond, Charles, "Must Advertising Communicate to Sell?" Harvard Business Review, Vol. 43, No. 5, Sept.-Oct., 1965, pp. 148-161.

46. Krugman, Herbert, "The Impact of Television Advertising: Learning Without Involvement," Public Opinion Quarterly, Vol. 30, Winter, 1966-67, pp. 583-596.

47. Maloney, John, "Attitude Measurement and Prediction," A paper presented at the Test Market Design and Measurement Workshop, American Marketing Association, Chicago, Illinois, April, 1966.

predict changes in market share in time series equations [48, 1969]. However, a recent review of 32 studies focusing on the attitude-behavior relationship concluded that attitudes are frequently only slightly related to overt behavior [49, 1969] Commenting on this conclusion, George Day observes [50,1971] that it does not mean that attitudes and behavior are completely unrelated; but it does indicate that actual consumer behavior is affected by other variables in addition to attitudes. For example, consider the several factors which may make cigarette smoking behavior inconsistent with attitudes toward smoking. As one smoker puts it:

> Cigarettes taste terrible, cause cancer, make me cough and offend others. I dislike terrible tastes, cancer and coughing, and offending others. But I still like cigarettes.

Summary: As suggested by the foregoing brief discussion, the question of how advertising and other marketing communications affect consumer attitudes is a complex one. The exact effects depend on several factors:

(1) What attitudes are affected by advertising and other marketing communications? These may be attitudes about certain attributes of the product or brand, but not others. However, advertising can also affect attitudes toward the product use situation, or about the advertisement itself, but not the brand.

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48. Assael, H., and G. S. Day, "Attitudes and Awareness as Predictors of Market Share," Journal of Advertising Research, Vol. 8, Dec., 1969, pp. 3-10.

49. Wicker, Allan W., "Attitudes versus Actions: The Relationship of Verbal and Overt Behavioral Responses to Attitude Objects," The Journal of Social Issues, Vol. 25, Autumn, 1969, pp. 41-78.

50. Day, George, op. cit., 1971, p. 30.

(2) The nature and extent of advertising's influence on consumer attitudes at any point in time depends on the broader context of pre-existing attitudes. Except in rare cases of totally new products or brands, any advertisement's effects on attitudes is shaped by pre-existing consumer attitudes.

(3) The nature and extent of advertising's influence on attitudes depends on whether the promotional objective is to form attitudes (about a new product feature, a new "image" for the product) or to change attitudes (from negative attitudes about the brand to positive ones).

Attempts to state firm generalizations on the subject of advertising's influence on consumer attitudes is further impeded by the wide variety of measures of attitudes which are employed. Results from one set of studies -- using one method of measuring attitudes -- may not be comparable to other studies which employ different measurement prodedures.

However, it is clear that to some extent advertising and other marketing communications do play a role in the formation and modification of consumer attitudes. Moreover, it is clear that consumer attitudes are related to consumer actions, and that changes in consumer attitudes are related to changes in consumer actions.

Some mention should be made of the final link between attitude and purchasing behavior. While little is actually known about this link, some evaluative process seems to take place which leads to the evolution of a "net" attitude or conviction which is a major input into the purchase decision. Many other non-advertising informational inputs previously incorporated into attitudes may contribute to this final link. In fact, advertising inputs *per se* are likely to represent a minor input in the case of many purchases.

2.3 Buying Behavior:

The discussion in Section 2.2 has dealt with the effects of advertising/marketing communications on consumers' states of mind: awareness of products and brands and their characteristics, attitudes, and preferences. As explained earlier, these so-called "communication effects" are of interest primarily because they are thought to be related, albeit in a complex fashion, to consumers' eventual purchases of products and brands, and to the aggregative effects of these individual purchases -- such as the degree to which total industry sales are concentrated among a few leading firms.

In this section, we turn to a consideration of issues and evidence dealing directly with the relationship of advertising/marketing communications to purchasing behavior. Although, as explained in Section 2.1.1, there is no generally applicable theory or model which we can use as a framework for our discussion, there are some useful ways of classifying buying situations in relation to the apparent role of advertising/marketing communications.

The effects of advertising/marketing communications on consumer buying decisions can be evaluated at three different levels of aggregation:

- effects on total consumption expenditures, that is, on the sum total of spending for all kinds of goods and services;
- effects on total spending for a given category of products or services, such as total purchases of television sets; and
- effects on choices of individual brands or types of products within a category, such as purchases of General Electric television sets.

We shall begin our review of the effects of advertising/ marketing communications on consumer behavior by considering the first two of these three types of effects. "Selective demand" -- the choice of competing brands within a product category -- will be discussed below. [Section 2.3.4]

2.3.1 Effects on Total Consumption -

According to one economist, "...businessmen and economists have few doubts that advertising increases consumption for the economy as a whole." [51, 1951] Although there seems to be general agreement that promotional activity has some effect on aggregate consumption, there does not seem to be any clear-cut evidence on the extent of the effect. Clearly, advertising/marketing communication is only one of many factors influencing total consumer demand. Other influences, most of them probably more important than advertising, include:

- the size and composition of the population
- the level and distribution of personal income
- changes in technology
- changes in life styles -- such as the increased labor force participation of married women in the United States after 1950
- social trends

Any effort to determine the effects of advertising/ marketing communications on total consumer demand by analyzing changes over a period of time would be frustrated by the fact that all of the factors listed above (and many others) are also changing. The patterns of cause and effect among these factors are complex. They have not, at least to date, been successfully disentangled by available statistical methods.

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51. Hans Brems, Product Equilibrium Under Monopolistic Competition (Cambridge, Mass., Harvard University Press, 1951), pp.85-86.

Therefore, we conclude that although some relationship does exist between advertising/marketing communications and aggregate consumer demand, the nature of the relationship is at this stage, indeterminate.

2.3.2 Effects on Primary Demand for Product Categories -

The question of whether -- or to what extent -- primary demand for an industry or product category can be influenced by advertising/marketing communications is a question that has often been discussed by trade associations, farmers' cooperative groups, and academic researchers. Certainly there have been numerous attempts to use advertising for the purpose of increasing primary demand. These attempts have included campaigns to promote the wearing of hats, to stimulate coffee and milk consumption, and programs to encourage purchase of various agricultural commodities.

In relatively few cases have systematic efforts been made to measure the results of primary demand promotion -- of these, even fewer have been made public. Neil Borden's major study, published in 1942, is still the most comprehensive source of evidence on primary demand effects. Borden's overall conclusion was that:

> So far as primary demand is concerned, the industry studies and the cases analyzed justify one clear and important generalization; namely, that basic trends of demand for products, which are determined by underlying social and environmental conditions, are more significant in determining the expansion or contraction of primary demand than is the use or lack of use of advertising. [52,1942]

Commenting further on the potential effects of advertising on primary demand, Borden has stated that:

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52. Borden, Neil H., The Economic Effects of Advertising (Chicago, Illinois, Irwin, 1942)

- Advertising has been effective in increasing primary demand when product-related social, economic, and technological forces have been favorable to the expansion of the demand.

- Advertising, no matter how massive the dose, will not counteract strong changes in demand which have been caused by basic changes in social, economic and technological situations. [53, 1959]

2.3.3 Needs versus Wants

Perhaps the most frequent of all criticisms of advertising -- and of selling in general -- is that "it makes people want things they don't need." This kind of criticism has been directed toward numerous products during the affluent 1950's and 1960's, ranging from the "tailfins" that characterized automobile design in the mid-fifties, to electric devices such as can openers and toothbrushes, to various convenience foods like "TV dinners." These and many other relatively new products have been cited as illustrations of "artificial demand, created by advertising" and of "contrived wants."

At a more global level, some commentators see evidence of wants outrunning needs in the overall pattern of consumer expenditures in the United States -- and in other Western countries, too, for that matter. The fact that consumers spend large sums on "luxuries" and "frivolities" (such as large, powerful cars, cosmetics, and alcoholic beverages) -- when there are urgent needs for more resources in such areas as education, urban renewal, ecological reform, and so on -- is, to some, prima facie evidence of an underlying distortion in society. This argument has been made with particular force by John Kenneth Galbraith [54, 1958 and 1967].

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53. Borden, Neil H., and Marshall, Martin V., Advertising Management: Text & Cases (Homewood, Ill., Richard D. Irwin, Inc., 1959) pp. 45-50.

54. Galbraith, John Kenneth, The Affluent Society (Boston: Houghton Mifflin, 1958; The New Industrial State (Boston: Houghton Mifflin, 1967).

In light of the evidence reviewed in Sections 2.3.1 and 2.3.2 regarding the influence of advertising/marketing communications on total consumption and primary demand, what can we say about the perennial issue of needs versus wants? Insofar as the criticism is based on actual *expenditures* by consumers, the available evidence indicates that (1) many factors affect these expenditures; and (2) advertising/marketing communications seldom constitute a dominant influence on expenditures.

The issue of needs versus wants cannot really be resolved, however, by analyzing actual consumer expenditures and factors that influence them. "Needs" and "wants" are psychological terms, and they refer to sets of consumer *attitudes* toward goods and services. A fundemental question is whether any meaningful distinction can be drawn between the two terms. In the numerous published commentaries on the subject, no really satisfactory distinction has ever been proposed. A representative treatment is that by historian Arnold Toynbee, who suggested that goods and services could be classified into three groups:

Needs - the minimum material requirements of life.

Genuine Wants- "...wants that we become aware of spontaneously, without having to be told by Madison Avenue that we want something that we should never have thought of wanting if we had been left in peace to find out our wants for ourselves."

Unwanted Demand - demand "created" by advertising, above and beyond "genuine wants." [55,1966]

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55. Toynbee, Arnold J., *America and the World Revolution* (New York: Oxford University Press, 1966), pp. 144-45.

The difficulty with this approach, of course, is that few, if any, wants are really "spontaneous." All available evidence suggests that consumer desires -- beyond purely biological requirements for survival -- are learned from a wide variety of sources, of which advertising/marketing communications is only one.

We believe that there is no operational distinction between "needs" and "wants," except in the context of a system of government based on much greater central control than that which has traditionally been acceptable in the United States and other democracies. In a centrally-planned society, "needs" can be defined by governmental agencies. But as long as consumers are given as much freedom of choice as they presently are, no such definition of "needs" seems possible.

2.3.4 The Brand Choice Process

2.3.4.1 Introduction

It is self-evident that a major purpose of most advertising/marketing communications expenditures -- at least by manufacturers of consumer products -- is to influence consumers' choices of brands. Although brand advertising can and no doubt often does have some effect on "primary demand" too, its primary goal is clearly to increase the advertiser's share of market within a given product category. Thus, while advertising for Kellogg's "Special K" cereal may have some impact on total consumption of ready-to-eat cereals, its principal objective and result is to keep existing customers and to induce buyers of other cereals to switch to "Special K."

The close connection between advertising and brand rivalry is reflected in the historical evolution of advertising in the United States and elsewhere. In his recently-published advertising text, Kenneth Longman traces this evolution briefly:

> [An] important marketing effect of the Industrial Revolution was the blossoming of branded goods... All the changes induced by the Industrial Revolution...are reflected in the growth of advertising expenditures during the last part of the nineteenth century and the first part of the twentieth. [56, 1971]

In view of the fact that so much advertising is directed toward influencing brand choice, it is not surprising that many of the commonly-voiced criticisms of advertising/marketing communication are related, in one way or another, to its effects on brand selection. These criticisms are sometimes stated in terms of alleged influences on individual consumer behavior patterns-- for example, the claim that "advertising leads the consumer to attach importance to 'artificial' differences among brands." Alternatively, broad assumptions about effects on brand choice behavior are sometimes used as a basis for criticisms of advertising's overall results. For example, some economists assert that advertising serves as a barrier to entry of new competitors, and explain this end result on the basis of its assumed role in creating strong brand loyalties (for further discussion see Section 3.3.1).

Whether the issues are stated in terms of direct impact on individual consumers or in terms of aggregate end results, any appraisal of the economic and social effects of advertising clearly requires some consideration of the role of advertising in influencing brand choice. Various dimensions of this complex topic are discussed in the sections that follow.

In discussing the effects of advertising/marketing communications on brand choice, it is useful to distinguish between two types of situations: initial purchases and routine

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56. Kenneth A. Longman, Advertising (New York, Harcourt Brace Jovanovich, Inc., 1971), pp. 11, 12.

purchases. There is a fundemental distinction between a consumer's first few purchases of a product and his/her later purchases, assuming that use of the product becomes regular. When a consumer tries a product for the first time, and for at least some time thereafter, he/she typically experiments, makes comparisons, and generally engages in conscious, systematic appraisal of alternatives. Later on, after the consumer has acquired experience, purchasing and use patterns often become repetitive. Advertising and other forms of marketing communication play very different roles in these two situations. For this reason, we deal separately with Initial Purchases (Section 2.3.4.2) and Routine Purchases (Section 2.3.4.3).

Within the category of "routine purchases," advertising/marketing communications may be intended by a marketer to keep existing customers by reinforcing their "loyalties" to his brand; or to take customers away from other brands by inducing them to "switch." Since on brand's new recruits are another brand's defectors, loyalty and switching are obviously opposite sides of the same coin. Both of these concepts are discussed in Section 2.3.4.3.

2.3.4.2 Initial Purchases -

Advertising/marketing communications affect brand choice behavior most strongly in the case of "initial purchases" -- the first few purchases that a particular consumer makes of a given product or brand. Three types of "initial purchase" situations can be distinguished: new product categories, new brands in established product categories, and new customers, i.e., consumers just entering the market for a particular product category.

New Product Categories: The role of advertising/marketing communications in affecting brand choices for initial purchases is well-documented in the case of new product categories. A useful way to describe this situation is in terms of the "Product Life Cycle," a general model that has been developed for explaining long-term trends in sales of a product category.

Figure 2-3 depicts a typical "life cycle" pattern. As shown there, when a new type of product -- such as color television sets or instant coffee -- is first introduced, sales typically grow slowly at first, then rapidly, and then more slowly again as consumption (or ownership) approaches a "saturation" level in a given market. Still later, sales may decline as a product is supplanted by substitutes -- as, for example, evaporated milk is being supplanted by fresh milk, powdered coffee creamers, and pre-formulated infant foods. These stages are designated as Introduction, Rapid Growth, Maturity, and Decline.

The life cycle concept is of interest here primarily because the stages of the life cycle generally correspond with changes in the role of advertising/marketing communications and changes in the level of expenditures relative to sales volume. As suggested in Figure 2-3 , during the Introduction stage, advertising/marketing communications expenditures tend to be very high in relation to sales; this ratio declines significantly during the Rapid Growth phase, and then typically stabilizes once a product category enters maturity.

A study of product life cycles for processed food products indicated that advertising/sales ratios do, in fact, generally follow these patterns, although only limited data were available to support the hypothesis. [57, 1966] A similar study of life cycles for ethical drugs showed that promotional expenditures are "...at a peak in the Growth Stage," then decline during the Maturity Stage [58, 1967].

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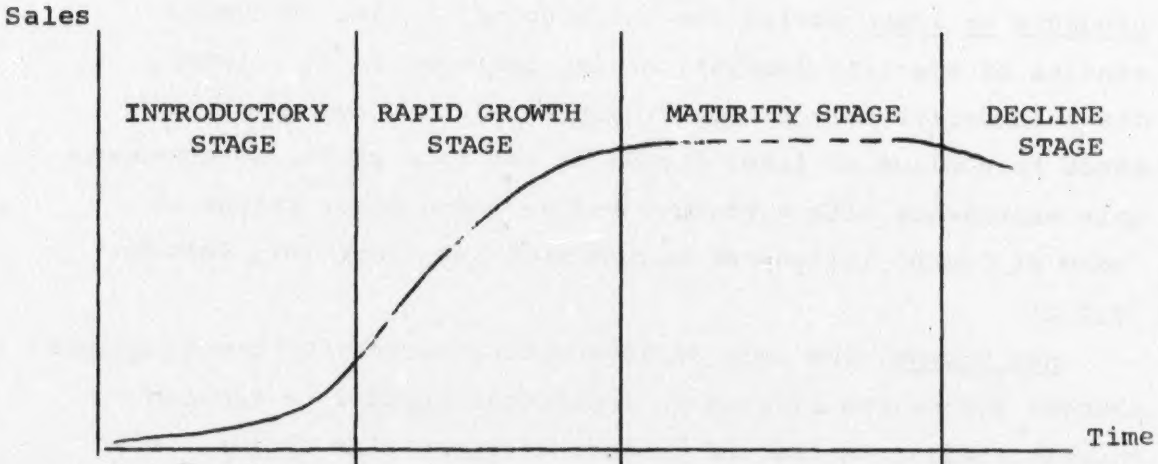
57. Robert D. Buzzell, "Competitive Behavior and Product Life Cycles," in John S. Wright and J. L. Goldstucker (eds.), New Ideas for Successful Marketing, proceedings of 1966 World Congress, American Marketing Association (Chicago 1966) pp. 46-68.

58. William E. Cox, Jr., "Product Life Cycles as Marketing Models," Journal of Business, October, 1967, pp. 375-84.

Figure 2-3

Typical Product Life Cycle



Rate of Growth:			
Slow	Rapid	Stable, in relation to total market	Declining
Role of Advertising:			
High Expenditures in rel. to sales	Declining A/S ratio	A/S ratio typically stable	A/S ratio declining
Purposes:			
-Provide info. -Expand primary demand -influence "innovators"	Same as in intro., but some shift to brand competition	Primarily brand competition	Diminishing role

Not only do patterns of advertising/marketing communications expenditures change over the life cycle, but so does the role played by communications. Various studies of the effects of promotion on the adoption of innovations indicate that "mass media" have their greatest impact on creating awareness of new products or ideas during the Introductory Stage. [Several studies of specific innovations are reviewed in 59 , 1968]. The informative role of advertising/marketing communications tends to decline in later stages of the life cycle, as consumers gain experience with a product and -- among other things -- "word of mouth" influences become more important (cf. Section 2.2.2)

New Brands: The role of advertising/marketing communications changes during the life of an individual brand in a fashion roughly similar to that of product category life cycles. When a new brand is introduced to the market, even in a well-established product category -- for example, a new brand of ready-to-eat cereal -- expenditures on advertising and other forms of marketing communication are likely to be very high (both in absolute terms and relative to sales) in comparison with expenditures later on. For example, a study of 127 new processed food products introduced between 1954 and 1964 showed that:

- During the First Year of Distribution, marketing expenditures averaged $1.4 million per product, representing 43% of annual sales;
- During the Second Year of Distribution, average marketing expenditures declined to $961,000 per product, or 24% of sales. [60, 1967]

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59. James F. Engel, David T. Kollat, and Roger D. Blackwell, Consumer Behavior (New York, Holt, Rinehart & Winston, 1968) pp. 567-70.

60. Robert D. Buzzell and Robert E. M. Nourse, Product Innovation in Food Processing (Boston, Harvard Business School, Division of Research, 1967), p. 117.

New Customers: A third type of "initial purchase" situation, perhaps less obvious than that created by the introduction of new product categories and new brands, is the constant entry of new customers into virtually every market. Customers enter markets for the first time when they reach a certain age or life cycle stage that makes use of a product necessary, suitable, or legal; or when their incomes reach a level that permits new types of expenditures. Mainer and Slater, in a 1964 article, pointed out that every product market is constantly "in motion," partly because of the entry of new consumers. They mention air travel, wine, color television, and other examples of industries that have grown rapidly because of an influx of newly-affluent buyers [61, 1964].

A consumer is first confronted with the need for brand choice in a product category not previously purchased, he/she has a need for information -- and this information comes partly from advertising and other forms of marketing communication. It is presumably because new buyers are most receptive to communications that most large national advertisers tend to concentrate their efforts heavily on younger housewives.

To summarize this section on "Initial Purchases," it seems clear that:

- The need for information about brands is greatest when a consumer's experience in buying a product is limited;
- Consumers are, accordingly, most receptive to advertising/marketing communications at the time when they are making their first few purchases;
- Marketers, recognizing consumer attitudes, spend relatively more on new products, new brands, and on messages directed to new consumers.

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61. Robert Mainer and Charles C. Slater, "Markets in Motion," Harvard Business Review, March-April, 1964, pp. 75-82.

- The effects of advertising on brand buying behavior are, without doubt, at a maximum during the "initial purchasing" phase of a consumer's experience.

2.3.4.3 Routine Purchasing -

For most consumers in the United States, purchases of most low-priced, non-durable products can be classified as routine purchasing. The experienced housewife, making her weekly visit to a supermarket or drug store, buys toothpaste, deodorants, facial tissues, frozen vegetables, and a wide variety of other products, on a routine, repetitive basis. As Howard and Sheth describe it:

> In the fact of repetitive brand choice decisions, the consumer simplifies his decision process by storing relevant information and routinizing the decision process. [62, 1969]

The effects of advertising/marketing communications on brand choice are less clear, and no doubt more variable, for routine purchases than for initial purchases. Marketers attempt to influence consumers' buying behavior in at least two ways: by keeping existing customers and by luring customers away from other brands.* The terms "brand loyalty" and "brand switching" are widely used to designate the two patterns of behavior.

Brand Loyalty: The impact of advertising/marketing communications on "brand loyalty" is of particular interest because of the alleged connection between this pattern of behavior and "barriers to entry" in a market (cf. Section 3.3.1). A consumer is said to be "loyal" to a brand when he/she concentrates "most" of his/her purchases of a product category

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62. John A. Howard and Jagdish Sheth, The Theory of Buyer Behavior (New York, John Wiley & Sons, 1969), p. 25.

*Other purposes of advertising for established products, directed to "experienced" consumers, may include development of new uses for a product, increasing quantities used per use occasion, etc.

on that brand, over a given period of time. According to some critics of marketing, this kind of behavior is, or may be, "irrational," and may reflect an undersirable impact of advertising/marketing communications.

Whether sole or primary loyalty to a given brand is "rational" or not is, to some extent, a semantic question -- it depends on how rationality is defined. As suggested by the quotation from Howard and Sheth, above, adoption of a routine pattern may be a rational way of balancing the time required for more conscious, deliberative choices against the potential improvement in satisfaction that might thereby be achieved. On this point, economist George Katona has suggested that:

> Problem solving behavior [also called 'genuine decision making'] is a relatively rare occurrence ... Its main alternative is habitual behavior ... Is the consumer rational or is he irrational? This is not the right question to ask ... [The consumer] is apt to prefer short cuts, follow rules of thumb, and behave in a routine manner. But he is also capable of acting intelligently. When he feels that it really matters, he will deliberate and choose to the best of his ability. [63, 1960]

Whatever interpretation may be placed on brand loyalty, and however it may be defined operationally, it is clear that many consumers do exhibit patterns of loyalty to brands. Studies by Brown, Cunningham, and others have shown that, in various product fields, half or more of consumers concentrate substantial proportions of their purchases on a single brand [a number of these studies are reviewed in 64, 1968].

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63. George Katona, The Powerful Consumer (New York, McGraw-Hill Book Co., 1960) pp. 140, 145.

64. Engel, Kollat, and Blackwell, op. cit., pp. 575-78.

Effects of Advertising on Loyalty and Switching: There have been many attempts to develop formal, quantitative models for analyzing and predicting patterns of brand loyalty and switching, either for specific product markets or for broad classes of products. [A review of brand switching models is given in 65, 1969]. Virtually without exception, these models assume that one of the factors affecting brand loyalty and switching is the volume of expenditures on advertising/marketing communications. (Sometimes media, message content, or other aspects of the nature of the communication are also taken into account.) Thus, although models of brand choice differ in many respects, they provide general support for the existence of some relationship between advertising/marketing communications activity and consumers' brand choice decisions. At the same time, practically all of the brand choice models also include factors other than advertising/marketing communications -- such as retail distribution, price, and past purchasing behavior -- reflecting the fact that communication is seldom, if ever, the sole determinant of buying decisions.

There is some evidence, furthermore, that patterns of brand loyalty can develop quite independently of the influence advertising and other forms of promotional communication. For example, in a study by Tucker, housewives were offered choices among four "brands" (labelled L,M,P, and H) of identical loaves of bread. At the end of the sequence of 12 choices, half of the women had developed "loyalties" for particular brands -- loyalty being defined as selection of the same brand three

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65. David B. Montgomery and Glen L. Urban, Management Science in Marketing (Englewood Cliffs, New Jersey, Prentice-Hall, 1969), Chapter 2.

or more times in succession. In a substantial proportion of cases, the women remained loyal even when lower prices were offered for other brands. [66, 1964]

The significant point about Tucker's experiment, in the context of the current discussion, is that "brand loyalty" developed in the absence of any advertising or other promotional activity. Similar results were obtained in a later study by McConnell, who offered identical bottles of beer labelled with letters of the alphabet, at prices ranging from $.99 per 6-pack up to $1.30. Again, no advertising or other promotional influences were employed. [67, 1968]

Although both of the studies just cited were experimental, and were conducted in somewhat "artificial" conditions, they suggest that the prevalence of brand loyalty patterns in the market place cannot be ascribed entirely, or even necessarily primarily, to the promotional activities of competing sellers.

In summary, then, studies of brand loyalty and switching indicate that advertising/marketing communications is one, but by no means the only, factor affecting consumer brand choice behavior. The nature and extent of its influence clearly vary among products, consumers, and market situations.

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66. W. T. Tucker, "The Development of Brand Loyalty." *Journal of Marketing Research*, August, 1964, pp. 32-35.

67. J. Douglas McConnell, "The Development of Brand Loyalty: An Experimental Study," *Journal of Marketing Research*, February 1968, pp. 13-19.

2.4 The Variability of Advertising/Marketing Communications Influence:

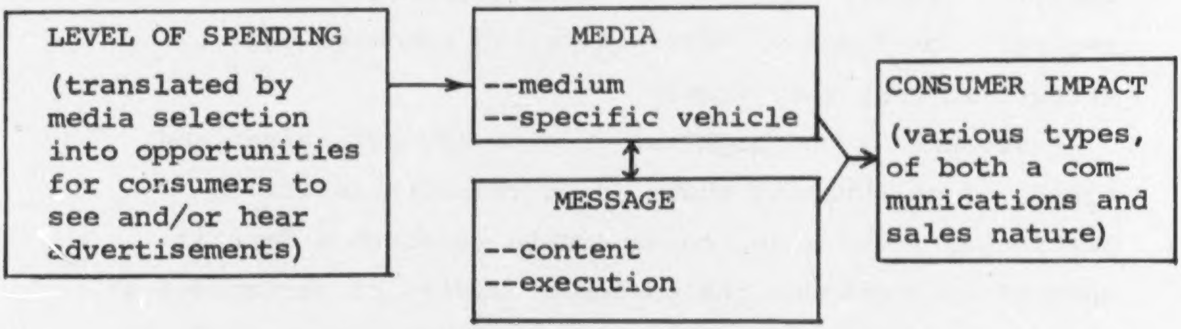
Earlier sections have treated variations in the nature and extent of the impacts of advertising/marketing communications on the consumer, variations that depend on differing attitudinal and behavioral characteristics of the consumer. But characteristics of consumers themselves and their relationships with products and brands are not the only variables involved. Effects of advertising/marketing communications will also vary widely based on characteristics of the communication itself, i.e., differences in the tactical elements of the company's or brand's advertising/marketing communications program. More specifically, the impacts of advertising will vary by level of expenditure, (sometimes known as advertising "weight"), by the media employed, and by the varieties of message (content and execution) used. The purpose of this section is to treat the principal ways practitioners vary these elements in their efforts to achieve maximum consumer impact. "Consumer impact," it should be noted again, may mean communications impact (e.g., consumer awareness, attitudes, etc.) or sales impact.

These characteristics of advertising/marketing communication represent the tactical inputs of the marketer. Indeed, it is in the regulation of these input characteristics that the expertise of leading advertisers and their advertising agencies resides. In their efforts to determine the "right" amount to be spent on advertising, to select the most efficient media types (e.g., magazines, TV) and vehicles (e.g., Time, "The Lucy Show"), and to design and create the most effective advertising messages, advertisers and their agencies are concerned with specific market situations of specific products and brands, rather than with broadly generalizable findings. Even within such specific frames, measures of advertising effectiveness regularly employed by advertisers and agencies show that effects in fact vary widely.

Because of the high salience to the advertiser and agency of calibrating these input characteristics in particular situations, considerable research effort is devoted to assessing the consumer impacts of variations in the inputs, often even to the minutiae of such matters as whether an ad in the front of a given publication generates more readership than one in the back. Not unexpectedly, the vast majority of the research undertaken, and -- we suspect -- the most definitive research information, on the effects of variations of these input characteristics rest in company and advertising agency files.

It should be noted that although we have spoken here of the three input characteristics separately, in fact they are neither unrelated nor necessarily separable, in terms either of the advertiser's tactical considerations or the impact on consumers. For example, the overall level of spending may be affected by whether a distinctively different message has been developed; also, the unusual nature of the message itself may outweigh a relatively small budget behind it in terms of resulting impact on the consumer.

Simply viewed, the critical tactical element is the level of spending. In economic terms -- or as viewed by company top management -- the process boils down to ad dollars in, sales (short or long term) out. From the standpoint of the input characteristics, the process can be seen roughly as follows:

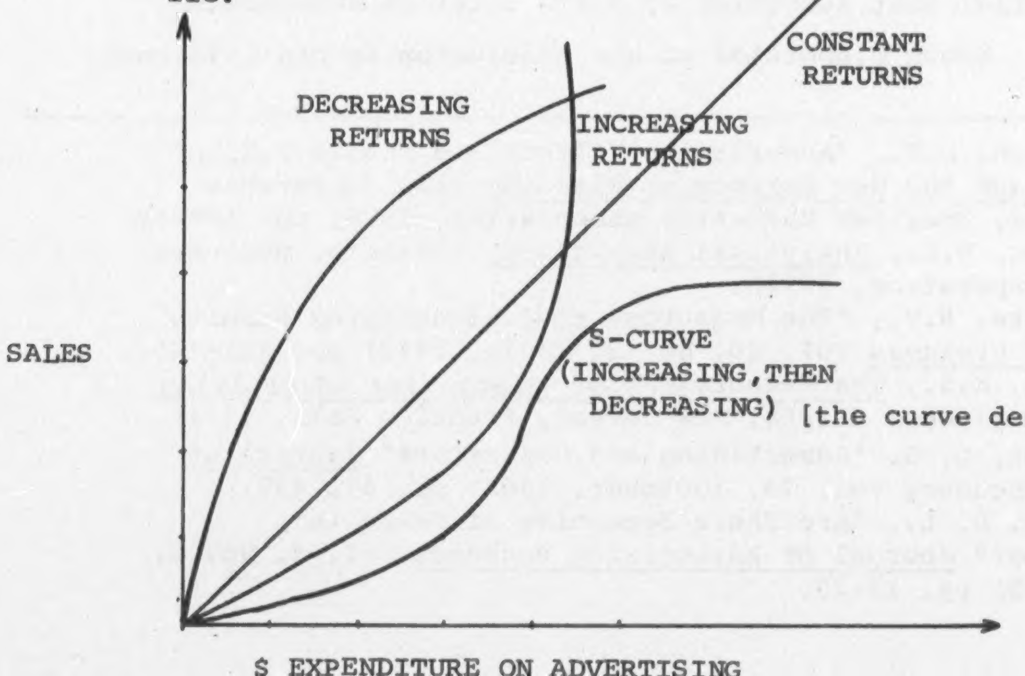

LEVEL OF SPENDING
(translated by media selection into opportunities for consumers to see and/or hear advertisements)
MEDIA
--medium
--specific vehicle
MESSAGE
--content
--execution
CONSUMER IMPACT
(various types, of both a communications and sales nature)

In the next three subsections, a brief review is given of some of the principal evidence on the general effects upon consumers of variations in these input characteristics of advertising/marketing communications. The purpose is not to treat these elements in the context of an advertising "primer" but to illustrate the general effects of variations in the inputs and provide some analytic framework for thinking about this topic.

2.4.1 Levels of Expenditure -

It seems intuitively obvious that, generally speaking, more money spent on advertising should result in more impact on the consumer. It also seems intuitively obvious that up to some level (a "critical mass" point) increments in spending on advertising are generating a less than proportionate consumer response; further, that through some range of spending levels, further increments generate more than proportionate consumer response; and finally, that beyond some still further point, yet additional advertising increments again generate less than proportionate consumer response (although perhaps still yielding a return greater than the cost of the advertising).

When economists and econometricians talk about "the shape of the response curve to increases in advertising spending," they are addressing themselves to whether the intuitive "shape of the curve" above is borne out in reality, or some other shape (see below) is closer to reality. Also, they are concerned with the levels at which, on any such curves, the points of "critical mass" or "diminishing returns" lie.



[the curve described above]

Economists and practitioners alike have been unable to agree on just which of the above relationships most accurately reflects reality. However, empirical evidence tends not to support the "economy of scale" argument. In a summary statement based on a review of the subject, Lee Preston stated:

> Most of us have been taught....that there are substantial economies of scale of advertising....[Yet] there is no general and pervasive tendency for large-scale advertising activity to be accompanied by the achievement of substantial economies of scale....[68, 1968].

The basic argument against the existence of economies of scale for advertising expenditures has been the alleged progressive dimunition of unreached prospects; that is, it becomes more and more expensive to gain customers because the "good prospects" were reached first. Experiments by Shryer [69, 1912], Roberts [70 , 1949], Palda [71 , 1964] and Telser [72, 1962] all suggest that expenditures on advertising are decreasingly marginally effective. In 1965, Julian Simon, after a review of the literature concluded, "There is no piece of conclusive evidence to support the general belief that economies of scale exist in advertising." [73,1965] Simon elaborated on his conclusion in his 1970 book:

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68. Preston, L.E., "Advertising Effects and Public Policy" Marketing and the New Science of Planning Fall Conference Proceedings, American Marketing Association, 1968, pp. 559-60.
69. Shryer, W.A., Analytical Advertising (Detroit, Business Service Corporation, 1912).
70. Roberts, H.V., "The Measurement of Advertising Results" Journal of Business Vol. 20, No. 3, (July, 1947) pp. 131-145.
71. Palda, K.S., The Measurement of Cumulative Advertising Effects (Englewood Cliffs, New Jersey, Prentice Hall, 1964)
72. Telser, L. G. "Advertising and Cigarettes" Journal of Political Economy Vol. 70, (October, 1962) pp. 471-499.
73. Simon, J. L., "Are There Economies of Scale in Advertising?" Journal of Advertising Research Vol. 5, No. 2, (June, 1965) pp. 15-20.

> There is not one single piece of strong evidence to support the general belief that increasing returns exist in advertising. A very few studies suggest that there are increasing returns, but their evidence is weak...
>
> Both sales and psychological studies suggest that the shape of the advertising-response function is invariably concave downward; i.e., that there are no S-curve and no increasing returns in advertising in a given product by a given firm. By my reading of the evidence, the efficiency of advertising expenditures always decreases, even at the lowest levels, with increased repetition and with increased size of advertisements (though total profits may continue to rise, of course)...

Simon goes on to suggest empirical tests on the issue:

> Perhaps the best test for increasing returns would be controlled advertising experiments beaming the same advertising in different quantities to samples of several geographical test areas. If increasing returns really exist, they would show up clearly in such investigations. [74, 1970]

Our review of the evidence on the cumulative effects upon consumers of advertising (Section 2.2.5.) suggests that Simon's position may be premature. If purchasing behavior is influenced by formation of attitudes over time based on successive exposure to information about a brand, there may be, at least over some range, economies of scale in advertising. Whether and to what extent this behavioral process of accumulation resulting in purchase occurs, as we discussed in Section 2.2, is a subject requiring further research.

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74. Simon, J.L. Issues in the Economics of Advertising (University of Illinois Press, 1970) pp. 21-22

On a very practical basis, regularly there is evidence that very heavy expenditures in advertising per se do not always lead to success. Scores of product failures in test market and at the national level -- from the Edsel on down -- attest to this. The reasons are rooted in the many factors, including advertising, that comprise the marketing "mix," especially the product itself.

The entire area of "optimum advertising spending levels" is receiving more and more attention from practitioners themselves; witness the Association of National Advertisers book, and recent practitioner speakers at various advertising conferences. That more "science" in achieving economically efficient levels of expenditure is resulting seems logical. As the very few practitioners who have publicly discussed their findings grow in number, we shall have a better understanding of the product and marketplace conditions under which greater or lesser spending on advertising makes sense in terms of consumer impact.

2.4.2 Media -

Where and how is the advertising budget expended? The advertising budget is translated by practitioners into the input characteristics of a media plan (where) and messages (how). In this section we shall treat ways in which variations in the use of different media classes (magazines, TV, etc.) and advertising vehicles (a specific magazine or TV program) lead to different consumer response.

As suggested in the introduction to this section, considerable effort and research go into media decisions for particular products and brands. This is typically part of the overall marketing-advertising strategy, and has as its objective the development of a media schedule which provides maximum exposure of the advertisements to the target audiences sought. The latter are typically defined in demographic and other ways (such as a profile of "heavy users" of the product category), and "matched" against the profiles of particular media vehicles.

But what of the broader questions of general variations in media impact on consumers? Are there inherent positive and negative attributes of media that result in differing impacts of the advertising on consumers? As has been so frequently stated in this report, objective research on the impact of media differences on consumer behavior is both difficult and sparse. However, there are some variations that warrant reporting. These can be organized as follows:

- Inherent characteristics -- physical, audience coverage, and audience appeal
- Affective reactions -- general consumer reactions to ads in different media
- Tactical use of the media -- tactical considerations, such as scheduling, mood, etc.

Let us look at each.

Inherent characteristics -- Each medium has certain inherent advantages and disadvantages, in terms of its physical aspects (e.g., susceptibility to use of sound, color, etc.), its coverage abilities, and its primary audience appeals. These aspects generally underlie the use of media based on the advertiser's tactical situation at hand, and represent one set of variables in considering media differences. For example, magazines permit much narrower "targeting" to reach specific audiences, TV offers immediacy and dramatic input but only limited time to transmit information, radio offers opportunites to involve the imagination, newspapers offer the opportunity to tell a long advertising story, outdoor advertising can provide an opportunity for short and swift message transmission, and so on. Although such general media differences are known to exist, there is little factual knowledge about the relationship between media characteristics/differences and audience response. For example, little is known about media's ability to "involve" the audience. [75, 1957] There is difficulty in doing this kind of research because of such factors as the inability to generalize research findings, inadequate measurements, and the high cost of such projects, relative to their value to the individual advertiser. [76, 1966]

Affective reactions -- Some studies, notably that reported by Bauer and Greyser, tell us of the differences in consumer reactions to ads in different media. On this subject, they state:

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75. Brown, Lyndon O, Richard S. Lessler, William M. Weilbacher, Advertising Media: Creative Planning in Media Selection (New York, New York, The Ronald Press Company, 1957) pp.211-12.

76. National Industrial Conference Board Business Policy Study No. 121 (1966) Part I, Chapter 1.

> The reader of the print media has greater latitude in what he pays attention to than does the radio listener and TV viewer. The corollary of the foregoing statement is, of course, that radio and TV have a greater capacity to command attention. The result is what one would predict.
>
> A considerably smaller proportion of print ads seem to capture conscious attention [as we measured it.]...However, as might be expected, the broadcast media pay the expected price for being able to command attention, namely a relatively high degree of annoyance that can be traced directly to the attention-grabbing characteristics of these media. [77, 1968]

Bauer and Greyser summarize: "...criticism and absence of criticism of advertising in the media reflect essential characteristics of the media themselves." [78, 1968] As suggested above, and as shown in the table, the broadcast media do generate more annoying advertisement categorizations than do the print media and have a lower proportion of ads which consumers consider informative. [79, 1968]

- Reactions to Advertisements in the Four Media -

	Nature of Reaction				
	Annoying	Enjoyable	Informative	Offensive	Number of Ads
All **media**	23%	36	36	5	9,325
Magazines	9%	37	48	6	1,012
Newspapers	12%	23	59	6	867
Radio	24%	33	40	3	1,416
Television	27%	38	31	4	5,929

(No medium given: 101)

77. Bauer, Raymond A. and Stephen A. Greyser Advertising in America: The Consumer View (Harvard Business School Division of Research, 1968) p.37

78. Bauer, Raymond A. and Stephen A. Greyser, Advertising in America: The Consumer View, Digest Edition (Cambridge, Mass., Harvard University, 1968) p. 20.

79. Bauer, Raymond A. and Stephen A. Greyser, Same Reference, p. 20

In their compilation of information on the differential influence of media classes and advertisements on consumer attitudes, Lucas and Britt refer to a study conducted by the Bureau of Advertising of the American Newspaper Publishers' Association. [80, 1963] "The Daily Newspaper and Its Reading Public" obtained information on the qualities attributed to different media based on the views of 4,826 people age fifteen and over:

High Ratings of Media by Adults

	*Percentages			
Descriptive rating	Newspapers	TV	Magazines	Radio
" Is first to introduce new products."	60%	71%	57%	45%
"Has interesting and imaginative ads."	54	66	67	37
"Gives a good description of the products I need."	60	57	59	40
"Shows good taste in the advertising it carries."	63	47	64	44
"Carries advertising that can be trusted	58	41	57	40
"Tells you all you need to know when buying a new product."	50	40	48	34
"Sticks to the facts."	63	40	56	41
"Gives useful information.'	71	58	65	54
"Tells me where I can buy things."	83	53	41	56
"Is meant for people like me."	61	52	50	45

*Percentage represents consumers who rate the medium 5,6,or 7 on a 7-point scale for each attribute.

While newspapers were rated high for carrying advertisements which are reliable and informative, it is noteworthy that television and magazines led on new products and imaginative appeals. This tends to confirm the reliance of consumers on newspaper ad-

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80. Lucas, Darrell Baline and Steuart Henderson Britt, Measuring Advertising Effectiveness (N.Y., N.Y., McGraw-Hill Book Co., Inc. 1963) p. 344

vertising for accuracy and for specific information. Likewise, television and magazines apparently serve the function intended by those advertisers who must stir new wants for new products through the use of interesting and imaginative copy.

It should be noted that the consumer impact of media is very difficult to separate from such other elements as audience predispositions toward the product, the nature of the message employed, and the like. As just described, there are qualitative differences among the media classes and in consumer reactions to these differences. As a result, many advertising campaigns involve mixed media classes, so the actual tactical decision involves the type and the mix percentage of various advertising vehicles within the media classes.

Tactical use of the media -- Along with decisions relating to the selection of the type and mix of advertising vehicles, the advertiser must also make decisions regarding the tactical use of media. Such decisions include the following:

Print: scheduling, size, position, and
mood (editorial environment)
Broadcast: scheduling, length, position,
and climate (program environment)

For example, television commercials are inserted in a wide variety of program environments. An advertiser interested in maximizing the effectiveness of his reach to a particular audience tries to choose the proper program for his advertising message. "If program environment affects the impact of commercials, then it should be taken into account...in the selection and creation of commercials to best utilize time already bought." [81, 1971] By the same token, commercials in hand might be re-placed in a more hospitable media climate. The relationship of ad size to readership and buying behavior is another example of a subject of continuing interest and research. In one study, Dr. Daniel Starch compared one-page and half-page magazine advertisements for a variety of products and found differences in both readership and purchase amounts. [82, 1966]

Consumer reaction to tactical media decisions is important in the selection and use of advertising vehicles. As was described in "Affective reactions" of this section, television attracts/compels the most attention, but pays the price in the form of a high degree of annoyance; print is easier to tune out, but ads that do make a conscious impression are seen more. Perhaps the most massive evidence regarding the consumer impact of variations in the use of advertising vehicles resides in Daniel Starch's book synthesizing 40 years of data on readership of print advertising. [83, 1966] (However, the results hold only for the ads that he tested and for the print vehicles tested -- primarily consumer magazines.) The kinds of

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81. Kennedy, John R. "How Program Environment Affects TV Commercials" (Journal of Advertising Research, Vol. 11, No. 1, February 1971), p. 33.
82. Starch, Daniel Measuring Advertising Readership and Results (New York, New York, McGraw-Hill Book Company, 1966) Chapters 8 & 20.
83. Starch, Daniel Measuring Advertising Readership and Results (New York, New York, McGraw-Hill Book Company, 1966).

conclusions that Starch reached are typified by the samples that follow:

- Thickness of issues -- ads in very thin issues of publications generate higher than average readership scores; ads in very thick issues generate lower than average scores.
- Position of ads -- ads on the outside (back) cover and the inside covers of magazines yield higher than average readership scores; ads in the front part of magazines score somewhat better than those in the middle and back.
- Use of color -- ads in color result in higher than average readership (on a cost-adjusted basis).

Similarly, in TV, practitioner research has sought to assess such questions as whether the added length of a commercial results in proportionately greater consumer attention (no), results in stronger identification of the advertised brand (yes), etc. [84, 1970]

However as an attempt to summarize the differential effect of media, one cannot state with any confidence that one medium is broadly more effective than others, except under particular product-market-consumer situations. As communications research expert Joseph Klapper states:

> In real life situations...(the) relative efficacy of the mass media varies so widely from one topical area to another

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84. Broadcasting, November 30, 1970, p. 34.

> as to defy generalization...Each of the media has been ascribed various advantages which are believed, but rarely demonstrated, to be related to that medium's persuasive capabilities. [85, 1960]

2.4.3 Messages -

By far the most varied of the input characteristics of advertising is the message itself. The content and execution of the advertising message is the core of the advertising agency's creative task, and substantial human energy and research funds go into the pre-testing with consumers of variations in messages. Such research seeks to evaluate the prospective consumer impact of the messages on communications measures and/or surrogate sales measures (e.g., disposition to buy).

Both academic and practitioner sources attest to the relative importance of the message, versus the medium involved or advertising weight. For example, in his study of short-term changes in market share, Robert D. Buzzell made a careful distinction between level of expenditure and the advertising message:

> If anything, advertising message quality is more important than the level of advertising expenditure. Message quality is neither insignificant nor invariant, as has often been assumed in models of the advertising process. [86, 1964]

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85. Klapper, Joseph T., The Effects of Mass Communication (Free Press of Glencoe, 1960), pp. 129-30.
86. Buzzell, Robert D. "Predicting Short-Term Changes in Market Share as a Function of Advertising Strategy" Journal of Marketing Research, (August 1964), pp. 27-31.

Dr. Daniel Starch, referring to the leverage factor in the message itself, wrote that on the basis of his organization's examination of thousands of ads: "Strong advertisements will activate four or five times as many persons to buy as mediocre or weak ones for the same product." [87, 1966] Recent studies of TV commercials by Starch-Hooper reaffirmed a similar conclusion for that medium. [88, 1970]

The same point is made frequently by practitioners. For example, David Ogilvy, in his Confessions of an Advertising Man emphasized the leverage that a strong message can have to overcome the size of the budget behind a competing message. [89, 1963]

How can we try to sort out the relative impacts on consumers of variations in message content and execution? Candidly ... with great difficulty! Different creative gurus of the advertising field have their own concepts of how to vary such dimensions of content and treatment as illustration versus copy, headline versus text in the body of the ad, kind of information included for different kinds of products, etc. The range of creative elements involved includes: emphasis on consumer benefits; use of product demonstration, before and after approach, use of music, emphasis on slogan, social class orientation of the ad, and many others. Which elelments are important again depends on the specific product-brand-market situation.

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87. Starch, D. Measuring Advertising Readership and Results (New York, McGraw-Hill, 1966), p. 176.
88. Starch, D. Broadcasting (November 30, 1970).
89. Ogilvy, David Confessions of An Advertising Man (New York, Atheneum, 1963).

What is important to realize is not that there is a single all-encompassing scheme, but that there are many dimensions admen themselves think about and use in copy testing. Admen assess copy on the basis of their models of how consumers react to advertising; varied approaches employed in this aspect of the advertising process is described in some detail by Alice Courtney in her doctoral dissertation study entitled Communications Research and Advertising Practice.[90,1970]

This subsection is thin on actual research data. The reason is not the absence of research situations (which agencies have in abundance), but rather that research has not usually been generalizable. Thus, we must fall back on the often competing folklores of the advertising field, as developed by various practitioner experts. One such list, for illustrative purposes, is that of Ogilvy, which includes these maxims:[91,1963]

- What you say is more important than how you say it
- Unless the campaign is built around a great idea, it will flop
- Give the facts
- Make your advertising contemporary
- If you are lucky enough to write a good ad, repeat it until it stops pulling
- Never write an ad you wouldn't want your own family to read

Are the above uniquely actionable? Are they broadly applicable? We do not know, but advertising people behave as though this -- or their own agency's "list" -- can guide their ads to more effective consumer impact.

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90. Courtney, Alice Communications Research and Advertising Practice, Harvard Business School doctoral dissertation,1970.

91. Ogilvy, D. Confessions of an Advertising Man, (New York, Atheneum, 1963), Chapter 5.

2.5 Summary:

In Chapter Two we examined the impact of advertising/marketing communications on the informational filtering system and purchasing behavior of consumers. We discovered that this topic is complicated, hence difficult to conceptualize and to research. While there is no generally accepted "complete" model to guide discussion and research, there are partial models of the two basic processes which interact and conflict with one another:

(1) the consumer's purchase decision-making process (obtaining information, evaluating information, forming and changing attitudes, choosing among brands, and actual purchasing), and

(2) the advertiser's decision-making process (whether to advertise, what to say, how much to spend, what media to use, and how to schedule advertising).

Therefore, we discussed a wide variety of issues and evidence using these two processes as organizing principles.

We began by presenting a flow diagram (Figure 2.1) which showed the conceptual relationships among the major concepts in each of these processes and the conceptual relationships between the two processes. We then turned to an examination of how advertising/marketing communications affect consumers.

The process most consumers seem to follow most of the time in making purchase decisions is essentially a problem-solving process. The consumer has goals, obtains and evaluates information, makes decisions, and acts. However, the differences among consumers, products, and situations are sufficiently great, that general conclusions as to what happens cannot be stated with much confidence.

Our discussion of the consumer buying process began with an examination of the ways in which consumers receive and process information -- which we called the "information filtering process." We discovered that consumers actively seek information, but that they selectively expose themselves to the various kinds of information available to them. Thus, for each consumer, some information is never received. We also found that consumers selectively perceive the information they do receive; that is, information is perceived differently by different consumers. Consumers also vary on the basis of what advertising/marketing communications claims they will accept, remember, or use as the basis for action. Each individual consumer filters information on the basis of his or her existing attitudes and beliefs. For example, information that is consistent with an individual's beliefs is more likely to get through these filters easily than information that conflicts with existing beliefs.

The ways in which attitudes and beliefs are formed and changed and their effects on information processing and purchase behavior have been the subject of much research. Three components of an attitude have been identified: knowledge, feelings, and action tendencies. We discovered that attitudes may vary in degree of generality, intensity, and interrelatedness. Research on attitude formation and change indicates that advertising/marketing communications may affect attitudes in several ways: (1) by providing new information, (2) by reinforcing existing attitudes and (3) by transferring general attitudes to specific situations. Much research has been done on the ways in which advertising affects attitudes because most marketers seem to believe attitudes precede behavior -- or even predict behavior. While these beliefs have been questioned, research on attitudes has not yielded many conclusive generalizations as to the effects of advertising/marketing communications. Much more research is needed, particularly on the role of pre-existing attitudes in the processing of information by consumers.

What information is remembered and for how long depends in part on how many times an individual is exposed to an advertisement. Although retention generally tends to increase up to a certain point with repeated exposure, research on this topic has uncovered several circumstances in which retention is not affected in this straightforward manner. Related to this issue, we also examined the lagged effects of advertising/marketing communications. We discovered that existing research suggests that sometimes there is a delay between when consumers are exposed to an advertisement and when they react by exhibiting behavior; that is, it appears consumers sometimes accumulate information over time before making purchase decisions.

Next, we looked at buying behavior by distinguishing among three types of demand: (1) total consumption, (2) primary demand for product categories, and (3) selective demand for particular brands.

Advertising/marketing communications clearly do have some effect on the level of total consumption and the nature of demand for product categories; however, the extent of that effect is not clear from existing research. Most observers seem to agree that other factors -- such as major social, technical and economic trends as well as population characteristics may have a more significant impact on total consumption and primary demand. At the present time, however, it has not been possible to isolate the influence of each of these factors.

Advertising/marketing communications also clearly have some effect on the nature of selective demand, but again, it has been impossible to reach any general conclusion as to the extent of that effect.

Brand choice behavior -- how consumers select among competing brands -- has been a subject of much concern to marketers in their competitive attempts to improve their marketing positions. We identified two types of brand choice behavior (1) initial purchase (new product category, new brands in an established category, or new customers) and (2) routine purchase (purchase of the same brand after an initial trial period). We found that consumers are more receptive to advertising/marketing communications when considering an initial purchase than when in a routine purchase situation. An examination of routine purchase behavior involves the concepts of brand loyalty and brand switching which are influenced by many factors other than advertising/marketing communications.

What information is obtained, evaluated, modified, and acted upon by consumers is in large part based on what decisions advertisers make regarding the amount of money they spend, what media they use, and what messages they design. Advertisers make such decisions according to their expectations of consumer response; therefore, we next examined how changes along these dimensions of advertising/marketing communications affect consumers.

We found no conclusive evidence as to how consumers react to increasing levels of expenditure on advertising/marketing communications; that is, existing evidence is weak on the issue of economies of scale in advertising. There is strong reason to believe, however, that high expenditures on advertising will not necessarily lead to maximum impact on consumers.

Consumers respond to media in different ways based on such factors as the inherent characteristics of the medium (for example, its physical aspects). Consumers also react differently on psychological dimensions such as involvement and annoyance. These types of responses affect the process of receiving and evaluating information. Most research on the differential impact of media has been very specific to products or brands -- there is almost no clear-cut evidence on the general impact of media characteristics on consumer decision-making.

Finally, varying kinds of messages clearly affect in some way consumer purchase decision-making. Again, most research on this topic has been very specific to products and brands, thus we were not able to draw any general conclusions.

It is not our conclusion that advertising/marketing communications do not affect consumer purchasing behavior or that advertising/marketing communications completely determine consumer purchasing behavior. Rather, it is clear that advertising/marketing communications have some impact on consumer behavior, but to the extent of that impact varies with socio-economic conditions, consumers, and advertising techniques.

Chapter 3

EFFECTS OF ADVERTISING/MARKETING COMMUNICATIONS ON INDUSTRY COMPETITIVE CONDITIONS AND BEHAVIOR

3.1 Introduction

In Chapter Two we discussed the effects of advertising/marketing communications on the attitudes and behavior of consumers. In this chapter, we shall examine the relationship of advertising/marketing communications to the economic performance of industries; that is, to what extent and in what ways do advertising/marketing communications affect the nature and results of industrial competition? We shall present concepts and research from the study of industrial organization - a branch of economics - and draw upon our discussion of consumer behavior in Chapter Two to show that no general agreement has been reached on the exact nature of the relationship of advertising/marketing communications to industry competitive conditions, behavior, and performance.

Relationships between advertising/marketing communications depend, ultimately, on how such communications influence consumer behavior.* In spite of this, it is sometimes difficult to show the connections between possible economic effects of advertising and the assumptions about consumer response that logically underlie them. Economists have generally focused their attention on quantitative dimensions of industry structure and performance, as reflected in aggregative measures of sales, prices, advertising expenditures, etc. Their studies have seldom been tied explicitly to theories or to research evidence on actual consumer behavior patterns. As a result, the literature of "industrial economics" has evolved almost completely independently from that dealing with consumer behavior.

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* And, to some extent, also on how competitors respond to each others' actions.

In our review of research dealing with the economic effects of advertising/marketing communications, we shall point out -- whenever possible -- the implicit connections between these effects and consumer behavior. But, in some instances, these connections can only be surmised because the researchers did not state any behavioral assumptions in support of their economic theories.

3.1.1 Industrial Organization: An Overview-

The analysis of industry conditions, behavior and performance is called "industrial organization." Since the 1930's, the study of industrial organization has centered around a three-part model: structure, conduct, and performance. This model, represented in Exhibit 3.1, has been very influential in the conceptualization and research of issues in this field; therefore, it is important to understand the essential aspects of this model and where advertising/marketing communications fit in the model.

3.1.1.1. Description of the structure-conduct-performance model-

J.S. Bain, an eminent authority in the field of industrial organization, defined market structure as follows:

> Market structure refers to the organizational characteristics of a market, and for practical purposes to those characteristics which determine the relations (a) of sellers in the market to each other, (b) of buyers in the market to each other, (c) of the sellers to the buyers, and (d) of sellers established in the market to potential new firms which might enter it. [1, 1968]

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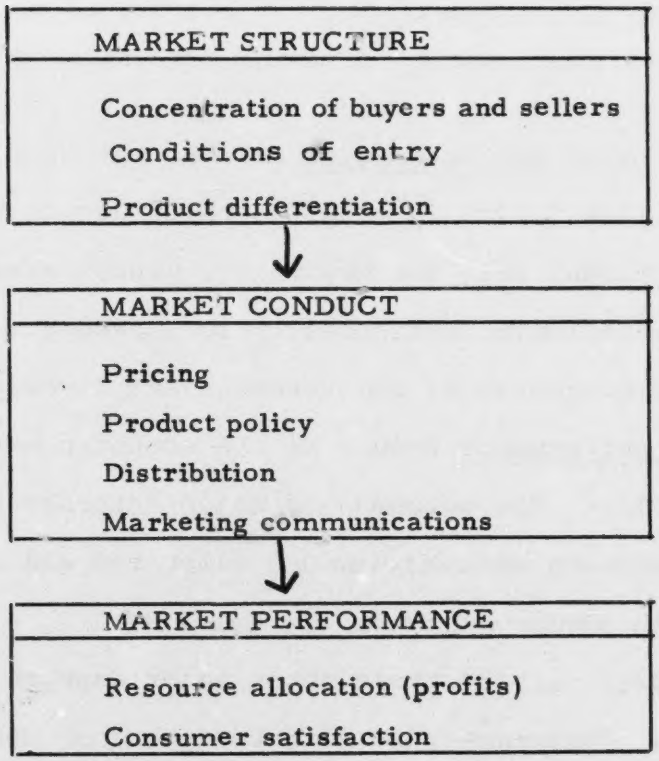
1. Bain, J.S. Industrial Organization Second Edition (New York, John Wiley and Sons, Inc., 1968) p. 7

EXHIBIT 3.1

The Structure - Conduct - Performance Model


MARKET STRUCTURE
Concentration of buyers and sellers
Conditions of entry
Product differentiation
MARKET CONDUCT
Pricing
Product policy
Distribution
Marketing communications
MARKET PERFORMANCE
Resource allocation (profits)
Consumer satisfaction

The major aspects of market structure are concentration, condition of entry, and product differentiation. Concentration, either of buyers or sellers, is a measure of the proportion of sales, **assets**, or capacity accounted for by the few largest buyers and sellers. Condition of entry to the market refers to the ease or difficulty with which new firms may enter the market. The term "barriers to entry" is often used to describe the obstacles new firms must overcome in order to enter the market. Product differentiation is the degree to which buyers perceive differences among the characteristics of competing products.

Bain defined market conduct as "the patterns of behavior that enterprises follow in adapting or adjusting to the markets in which they sell (or buy)." [2, 1968] Market conduct includes the following variables: price, product, distribution, marketing communications, and research and development.

Market performance refers to the economic outcomes of industry behavior. The outcomes of major interest are the extent to which resources are efficiently allocated, and the extent to which consumer wants and needs are satisfied.

In theory, all of these three major aspects of the model are related. Performance is said to depend on conduct, which in turn depends on structure. In practice, whether and to

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[2] Bain, J.S., Same Reference as Footnote 1, p. 9.

what extent this theoretical construct is descriptive of reality, continues to be the subject of a great deal of controversy

3.1.1.2. Problems with the structure-conduct-performance model-

Although the structure-conduct-performance model is very useful for our appraisal of the effects of advertising/marketing communications on the economic performance of industries, there are several problems associated with using the model. There are three types of problems . First, there are problems in putting into practice the concepts used in the model; for example, "industry," "product differentiation," and "consumer satisfaction." Second, the variable, advertising/marketing communications, fits in each of the three categories: it is a structure variable, a conduct variable, and a performance variable. And third, measurement and interpretation of the relationships among variables is very difficult. We shall now examine each of these problems in detail.

The first major problem - operationalizing the concepts - has two sub-parts: first, instances where there are alternative ways of approaching a concept and the problem is which approach to use;and second, instances where the concept, as it has been used in research, does not reveal the underlying aspects of the phenomenon apparently examined. An example of the former instance is the concept "industry" and an example of the latter instance is the concept "product differentiation." More specifically, three main methods have been used to classify firms into industries: (1) the use of similar raw materials and/or productive processes; (2) production of goods that are close substitutes as perceived by users; and (3) self-reporting (firms who think they are in an industry).

A decision as to which approach to use or as to the comparability of approaches taken is further complicated by questions of geographical boundaries, diversification of firms, vertical integration, and changes over time. This type of problem is also encountered in efforts to make the concepts of concentration, condition of entry, and profits operational.

The second type of operational problem - inadequate description of the phenomenon - is more serious, as exemplified in the use of the concept "product differentiation." This concept embodies complex processes of consumer information processing, attitude formation and change, and brand choice behavior which we discussed in section . . While we will not go so far as to agree with Julian Simon who argued that product differentiation is a completely meaningless term and an impossible concept, we do maintain that all too often important aspects of consumer behavior process involved are not adequately examined or described by the use of measures such as the advertising-to-sales ratio, which has generally been used by economists as a statistical measure of the extent of "product differentiation." [3,1970] Another concept with which similar problems arise is consumer satisfaction.

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3. Simon, J. L. "'Product Differentation': A Meaningless Term and an Impossible Concept" Appendix A in Issues in the Economics of Advertising (University of Illinois Press, 1970) pp. 289-299

The second major problem - the position of advertising/marketing communications in the model - is not serious once it is understood. That is, the fact that advertising/marketing communications fits in different parts of the model need not be confusing. As a structural variable, advertising-to-sales has been used as a measure of product differentiation, as noted above. As a conduct variable, advertising-to-sales has been used as a dimension of "non-price competition." Finally, as a performance variable, advertising-to-sales has been used as a dimension of resource allocation (that is, "excessive" spending on advertising is often viewed as economically "wasteful"). The use of advertising in these different roles reflects the difficulty of coming to grips with its effects on the behavior and performance of industries.

The third major problem - measurement and interpretation of relationships - is a consequence of both the first two problems and of the capacity of existing statistical techniques. In Chapter Two, we attempted to show that the relationship of advertising/marketing communications to consumer purchasing behavior is not at all straightforward, especially considering the wide range of variations in the nature of advertising/marketing communications and in the nature of consumers. However, these problems are only part of the difficulties involved once other aspects of competitive behavior are included in the research.

Bain concluded in 1968 that:

> ...Actual patterns of market conduct cannot be fully enough measured to permit us to establish empirically a meaningful association either between market conduct and performance, or between structure and market consuct. It thus becomes expedient to test directly for net association of market structure to market performance, leaving the detailed character of the implied linkage of conduct substantially unascertained. ⌈4,1968⌉

Further, the statistical method typically employed in this kind of research is regression which does not permit conclusions as to causality in any relationship.

These problems point out the care with which research and conclusions regarding the effects of advertising/marketing communications on industry conditions and behavior should be handled.

3.1.2. Market Power-

A central concept in the appraisal of the economic effects of advertising/marketing communications is entitled "market power." Economists Carl Kaysen and Donald Turner defined market power as follows:

> A firm possesses market power when it can behave persistently in a manner different from the behavior a competitive market would enforce on a firm facing otherwise similar cost and demand conditions. ⌈5,1959⌉

A major charge against advertising is that it allows a firm to obtain and maintain market power. Market power may be examined in three ways: its sources, it uses, and its effects. We shall discuss the relationship of advertising/marketing communications to these three aspects of market power.

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4. Bain, J. S., Same Reference as Footnote 1.
5. Kaysen, C. and D.F. Turner Antitrust Policy, an Economic and Legal Analysis (Cambridge, Mass., Harvard University Press, 1959), pp. 15-16.

3.1.3. An Approach to Advertising/Marketing Communications and Market Power-

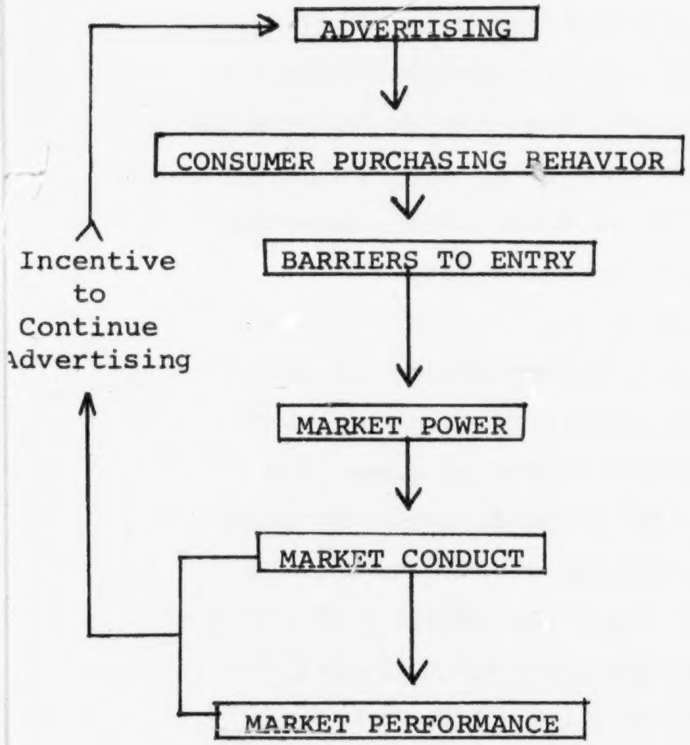
Despite all of these problems, we believe that the industrial organization structure-conduct-performance model combined with the concepts of consumer behavior discussed in Chapter Two will provide considerable insight into the economic effects of advertising/marketing communications. We shall test this belief by examining the relationship of advertising/marketing communications to market power and economic performance.

Exhibit 3.2 presents schematically the model we will analyze. This model represents our understanding of the major arguments that have been presented maintaining that advertising expenditures are related to market power and economic performance. We emphasize "expenditures" because, to our knowledge, the other dimensions of advertising as discussed in section . have not been the subject of research using the structure-conduct-performance model.

Before launching into an examination of the elements of this complex argument, we shall outline its overall theme to provide some perspective for the remainder of Chapter Three. Proponents of this position--that advertising leads to market power which in turn leads to poorer market performance--maintain that advertising has substantial impact on consumer behavior to the extent that the entire structure of an industry is changed. This affects the conduct and thus the economic performance of the industry. This process is said to occur in the following way:

EXHIBIT 3.2

Model of the Argument "Advertising Leads to Market Power..."


ADVERTISING
CONSUMER PURCHASING BEHAVIOR
BARRIERS TO ENTRY
MARKET POWER
MARKET CONDUCT
MARKET PERFORMANCE
Incentive to Continue Advertising

Examples of Assumed Role or Effects of Advertising:

- Consumers perceive differences
- Brand loyalty created

- Existing advertisers have advantages
- Increasing returns favor big advertisers

- Reduced competition enables firms to exercise more discretion

- Higher prices
- Less product quality and improvement

than would be true if market were "more competitive"

- Higher profits
- Lower satisfaction of consumers

-advertising leads consumers to perceive differences (real or artificial) among products

-on the basis of these perceived differences consumers form preferences for particular products and thus develop brand loyalty

-the difficulty of overcoming the existing brand loyalty of consumers is a major barrier to entry for new firms

-meanwhile, since bigger advertising campaigns are disproportionately successful in affecting consumer purchasing behavior, the company with more money to spend on advertising is able to outstrip its competitors

-the lack of new competition, plus the fact that some companies get bigger driving out the small companies, results in market power

-market power allows a firm to exercise more self-interest in its market conduct; that is, allows the firm to charge higher prices, reduce (or not improve) product quality, and otherwise increase profits by providing less for the consumer's money

-the aggregate economic performance of the industry thus is less socially desirable because resources are less satisfactorily allocated (evidenced by excessive profits for too few firms) and because the industry is providing less satisfaction for consumers.

In the remainder of this chapter, we shall examine available evidence bearing on the accuracy of this view of advertising's effects on an industry.

3.2 The Effects of Advertising on Consumer Purchasing Behavior :

One of the purposes of Chapter Two was to convey the complexity of the relationship of advertising/marketing communications to consumer purchasing behavior. Consequently, empirical research involving this relationship is difficult to implement and interpret. Exhibit 2.1 summarizes the concepts and relationships discussed in Chapter Two. This exhibit is reproduced in this chapter to facilitate reference to it. This exhibit relates to Exhibit 3.2 ("Model of the Argument 'Advertising Leads to Market Power'") -- it is an elaboration of the box "Consumer Purchasing Behavior."

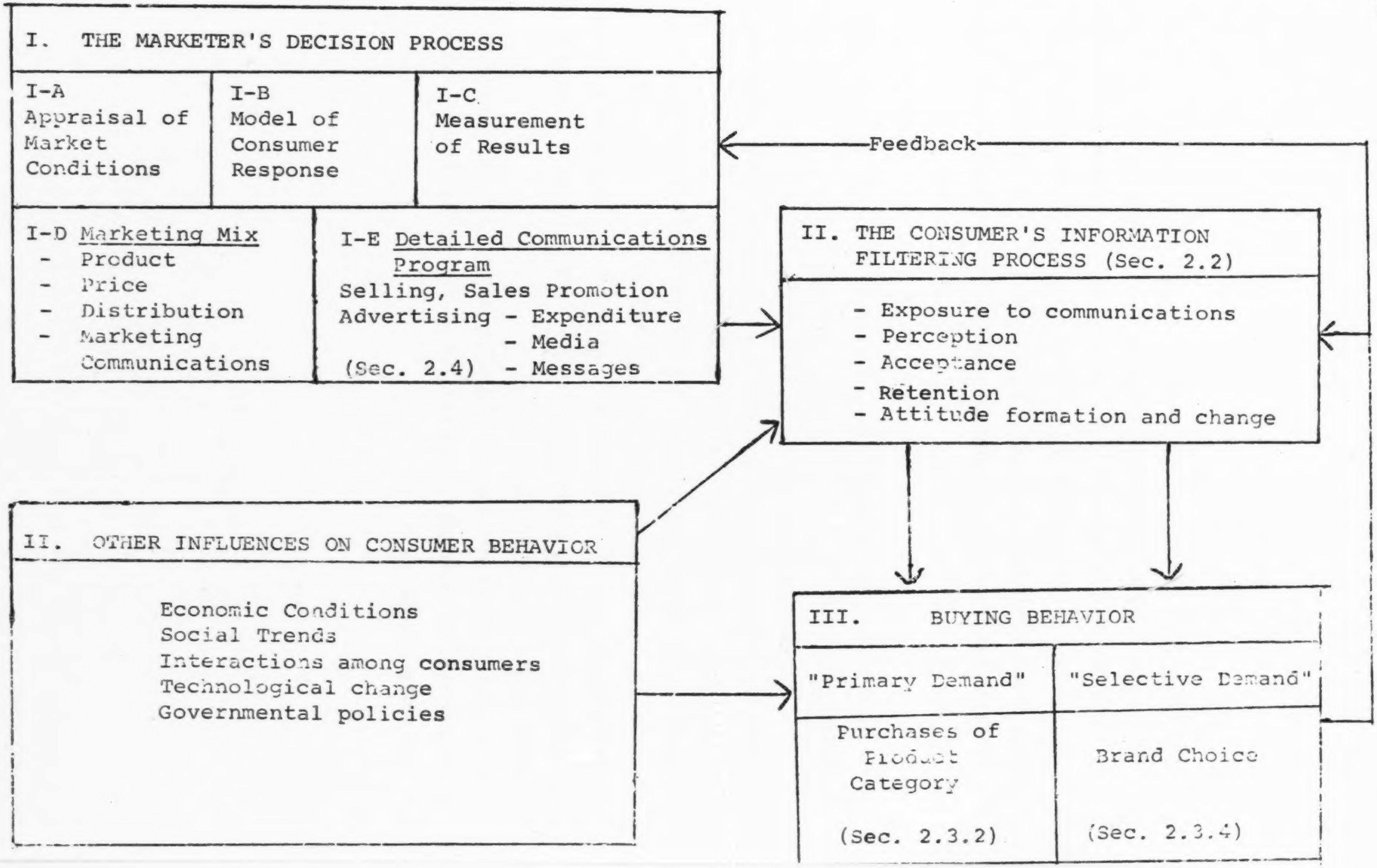
The key consumer behavior concepts involved in a discussion of the "advertising leads to market power argument" are as follows:

- cumulative/carryover effects
- response to increasing expenditures on advertising
- brand loyalty/brand switching

The effects of advertising/marketing communications are not always immediate, nor do they necessarily cease when advertising/marketing communications efforts stop. Sometimes the effects of one exposure to advertising/marketing communications carry over to the next exposure. These exposures often build on one another resulting in a cumulative (or, "lagged") effect on purchasing behavior that may persist for a while after advertising/marketing communications cease. Whether and to what extent these effects occur depend on the interaction of many

Exhibit 2.1

FRAMEWORK for DISCUSSION of ADVERTISING/MARKETING COMMUNICATIONS and CONSUMER BEHAVIOR


I. THE MARKETER'S DECISION PROCESS
I-A Appraisal of Market Conditions
I-B Model of Consumer Response
I-C Measurement of Results
Feedback
I-D Marketing Mix
- Product
- Price
- Distribution
- Marketing Communications
I-E Detailed Communications Program
Selling, Sales Promotion
Advertising - Expenditure
- Media
- Messages
(Sec. 2.4)
II. THE CONSUMER'S INFORMATION FILTERING PROCESS (Sec. 2.2)
- Exposure to communications
- Perception
- Acceptance
- Retention
- Attitude formation and change
II. OTHER INFLUENCES ON CONSUMER BEHAVIOR
Economic Conditions
Social Trends
Interactions among consumers
Technological change
Governmental policies
III. BUYING BEHAVIOR
"Primary Demand"
"Selective Demand"
Purchases of Product Category
(Sec. 2.3.2)
Brand Choice
(Sec. 2.3.4)

variables other than the amount of advertising or its ratio to sales. [For further discussion see Section 2.2.5]

The nature of consumer response to increasing levels of expenditures on advertising/marketing communications has not been resolved. There is no clear-cut evidence that advertising/marketing communications generally yield economies of scale; however, there is no clear-cut evidence that this is not the case. The response in any particular situation depends on many variables. [For further discussion, see Section 2.4.1.]

Brand loyalty, while a difficult concept to use in research, sometimes seems to describe consumer purchasing patterns. The extent of brand loyalty (or conversely the extent of brand switching) varies from situation to situation; that is, both the proportion of brand-loyal users to switchers and the difficulty involved in switching brand-loyal users vary depending on many variables. [For further discussion, see Section 2.3.4.]

The implications of the discussion of these and other concepts in Chapter Two will be explored in the remainder of this chapter.

3.3 Barriers to Entry:

The next step in the argument that advertising/marketing communications lead to market power involves the concept of "barriers to entry." One of the effects of expenditures on advertising/marketing communications, it is claimed, is to create an obstacle or "barrier" which discourages the entry of new competitors into a market. The result is (it is argued) that there are fewer competitors, and less active rivalry among them, than would be the case if the barrier did not exist. Advertising may raise barriers to entry for a potential competitor in two ways:

(1) The past advertising of established firms may have given them such a head start (in terms of consumer awareness, brand preferences, or brand loyalty) that potential competitors perceive the amount of time and expenditure required to obtain a sufficient market share as excessive.

(2) There may exist such significant improvements in advertising efficiency, once advertising expenditures reach a certain scale, that the potential competitor would incur much higher costs than established firms until he reaches that scale.

The first condition involves a discussion of consumer response to advertising -- how response varies with level of expenditure and over time. The second condition involves a discussion of advertising costs -- how per unit costs vary with level of expenditure. We shall discuss each of these conditions, in sections 3.3.1 and 3.3.2 respectively.

At the outset, we should note that there may be many factors which inhibit the entry of new competitors into a given market or industry. For example, established firms may have the following advantages:

- control of production techniques via patents
- control of superior product designs
- ownership or contractual control of distribution outlets
- greater credit availability [6]

Therefore, decisions by firms not to enter an industry may be based on a number of factors other than, or in combination with, their perceptions of the effects of advertising/marketing communications. Research as to whether and to what extent advertising/marketing communications conditions in an industry constitute barriers to entry of new competition should recognize the many factors which affect the condition of entry.

3.3.1 Consumer Response to Advertising as a Barrier to Entry-

In Chapter Two our discussion of consumer response to advertising included consideration of cumulative/carry-over effects [2.2.5.] response to level of expenditures (or economies of scale) [2.4.1.] and brand choice behavior [2.3.4.].

If the favorable effects of the advertising of established firms accumulate over time, established firms will be able to spend less per consumer to maintain loyalty than a new firm must spend to induce switching behavior -- where all other factors such as price, product design, distribution, etc. are relatively equal. We concluded in Chapter Two that advertising does sometimes have delayed as well as current effects, but that in time there is decay [section 2.2.5.] if advertising is discontinued. Further, we concluded that consumer behavior in some product categories does reflect brand loyalty and inertia, but that the extent of that

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6. For an extensive treatment of barriers to entry, see Bain, J.S. Barriers to New Competition (Cambridge, Mass., Harvard University Press, 1956) Chapter 1-6.

loyalty (or amount of effort required to induce switching) is difficult to determine. Consequently, the effects on consumer behavior of past and continued advertising by established firms may -- but not necessarily -- constitute a significant advantage to established firms, thus inhibiting the entry of new firms. It seems fairly clear, for example, that products such as Coca-Cola do benefit from the cumulative effects of past advertising as well as from other factors.

This advantage may seem greater if considered over a short time period. If the extra costs incurred by the entering firm are treated as "investments" and discounted over a longer time period, the advantage established firms seem to possess will be lessened. The advertising costs that could be allocated over time include production costs -- particularly in situations where the new firm is accumulating experience in designing advertisements.

3.3.2. Advertising Costs as a Barrier to Entry-

The cost of advertising may constitute a barrier to entry for a potential competitor in two related ways:

(1) The total amount required may be in excess of what the firm can afford;

(2) The efficiency of the firm's advertising may be **low** relative to that of established firms.

The first instance is not unlike capital requirements for plant and facilities: some firms may not be able to raise enough money to compete in the industry. Economist L.G. Telser commented on this type of barrier:

> If a successful advertising campaign does require a large capital, then, given the phenomenon of credit rationing, it may be impossible for the small firm to borrow the wherewithal necessary to advertise at the requisite scale. No one disputes that, as the amount borrowed rises relative to the borrowers' equity, the lender demands a higher interest rate. Moreover,

> for a given equity there is an absolute limit to the amount anyone can borrow no matter how much interest he may offer to pay. It does not follow, however, that profitable advertising opportunities are thereby overlooked. To establish advertising as a capital barrier to entry, one must show that despite reasonable profit expectations, the required capital, equity or borrowed, is so large as to be out of the reach of most firms. [7,1964]

Having the "wherewithal" may be particularly crucial if there is a threshold level in the minds of consumers before advertising begins to affect purchasing behavior or if there is a threshold level in the trade before advertising has any effect on gaining distribution such as shelf-space allotment. These threshold levels may require the use of a combination of media (for example, television and newspapers), more skilled copy design or more advertising message exposures. Consequently, the potential entrant would be required to spend much more than established firms.

The second instance involves two main factors: (1) media buying and (2) response of consumers to level of advertising expenditure.

Advertising efficiency may vary among advertisers for two reasons: first, some advertisers may receive lower rates (or "discounts") on time and space through large-scale buying; second, some advertisers may be more skillful in taking advantage of cost-saving opportunities. At one time, media rate discounts, especially for network television, were prevalent and greatly favored the large-scale advertiser. However, most of these discounts are no longer available, although some advantages do accrue to the larger-scale advertiser in the

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7. Telser, L.G. "Advertising and Competition" Journal of Political Economy (December 1964), pp. 557-562.

print media. The second situation -- savings through astute buying -- occurs more frequently at the present time; for example, a media buyer may be able to save his company considerable amounts by superior knowledge and/or more concerted effort in locating "good buys." Large-scale advertisers, especially multi-brand advertisers, have found it worthwhile to specialize the media buying function. Smaller advertisers generally cannot afford full-time media specialists, although even relatively modest budgets can be handled by specialized media buying organizations, as well as by conventional advertising agencies.

The possibility of greater efficiency for large-scale buyers is essentially the same for the purchasing of all goods and services in industry. Whether, and to what extent, the greater efficiency realized by larger-scale advertisers are sufficient to deter entry has not been the subject of recent research to our knowledge.

If consumer response increases more than proportionately with increased expenditures on advertising/marketing communications (that is, if there are economies of scale), and if the potential competitor is unable to spend as much as established firms, the disadvantage he would thus incur may deter entry. In section 2.4.1 we discussed the question whether increased expenditures on advertising realize economies of scale. We concluded that advertising is sometimes increasingly marginally effective, but that this only occurs over limited ranges of expenditures. That is, at some point, diminishing returns always set in. The question of economies of scale is complicated by many factors including cumulative effects, multi-brand spill-over, time, message quality, and media characteristics. Consequently, it is exceedingly difficult to determine empirically whether economies of scale do exist and if so to what extent they raise barriers to entry. For example, K.A. Longman in his discussion of barriers to entry stated:

> There are a number of ways for new competitors to reduce their capital investment or advertising expenditure when entering a market. The most common of these is to introduce a brand regionally rather than nationally. Another proven way is simply to introduce a superior product that will secure the loyalty of those who try it. And it is not unusual for a new brand to reduce its media costs merely by using excellent advertising that makes its point with only a few exposures. [8,1971]

3.3.3 Summary of Advertising Barriers to Entry-

A subject of concern to businessmen and governmental agencies (for example, recall the FTC versus Procter and Gamble - Clorox merger case in 1960), is whether and to what extent the nature and effects of advertising erect barriers to new competition. This has been primarily a subject of speculation rather than empirical research. [9, 1960] It is clear that apparent barriers do not always prove impenetrable— for example, the introduction of Lestoil in the 1950's and Dial soap in the 1960's against "giants" Procter and Gamble, Lever Brothers, and Colgate. While some research has been done, we are not aware of any that adequately handles the entire question of the relationship of advertising to entry decisions in an industry. [10, 1962]

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8. Longman, K.A. Advertising (Harcourt, Bruce, Jovanovich, Inc., 1971) p. 76

9. For a brief review of the FTC v. Procter and Gamble case see, "Is P & G being penalized for ad power?" Advertising Age, (September 23, 1960) pp. 11-12.

10. For an example of research on advertising ad cost and market entry see, Telser, L.G. "Advertising and Cigarettes," Journal of Political Economy, Vol. 70, No. 5, (October 1962) pp. 471-499.

3.4 The Capacity to Exercise Market Power:

As mentioned in section 3.1.2, there are three ways in which to examine market power:

- structure: what configurations of ownership and control in an industry confer market power to some firms?
- conduct: what patterns of behavior suggest the existence and use of market power?
- performance: what results (either in terms of firm and industry profits or in terms of consumer satisfaction) suggest the existence and use of market power?

In this section, we shall examine the relationship of advertising/marketing communications to a measure of structure as an indication of market power. In section 3.5 we shall examine advertising's relationship to measures of performance as indications of market power.

3.4.1 The Concentration Measure -

"Concentration" has been used as an indication of the existence of (or the capacity to exercise) market power. Concentration, as defined in section 3.1.1.1, is a measure of the proportion of assets, sales, or productive capacity controlled by the few largest buyers or sellers. Concentration has been used as a structural indicator of market power because it can be easily measured. However, there are two major ways to define concentration:

(1) The percentage of sales, assets, or capacity controlled by an arbitrary number of firms (for example, the 4-firm concentration ratio)

(2) The number of firms that control an arbitrary percentage of sales, assets, or capacity (for example, the number of firms that account for 80 percent of sales)

The approach taken and the exact way in which firms are classified vary in statistical studies. Although there is high correlation among these measures, any interpretation and comparison of research studies should involve consideration of the way in which concentration was measured. Concentration may be used as a structure measure in a particular industry, in a sector of an economy, or in an economy as a whole. In our discussion "concentration" will refer to concentration in an industry.

3.4.2 The Relationship of Intensity of Advertising to Concentration -

If, as is often alleged, advertising expenditures lead to less competition in an industry, there may exist a positive relationship between level of advertising expenditure and market concentration. We emphasize the word "may" because the absence of a positive relationship does not prove advertising expenditures do not lead to increased market power.

Nicholas Kaldor argued that the relationship between advertising and concentration is crucial to the market power argument:

> "That advertising promotes the concentration of economic power cannot reasonably be doubted....indeed if it did not, the whole discussion about the effects of advertising on the efficiency of the economic system would be irrelevant, since only by promoting concentration can advertising affect the working of the economic organization." [11, 1949]

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11. Kaldor, N. "The Economic Aspects of Advertising" Review of Economic Studies, Vol. 18, No.1, (1949-50), p.15.

Concentration may be increased by advertising if:

(1) entry decisions: advertising creates barriers to entry that keep out new competitors

(2) exit decisions: There are economies of scale in expenditures on advertising that result in the large-scale advertisers driving out smaller-scale advertisers.[12]

In the previous section [3.3], we discussed the relationship of advertising to entry decisions. While not explicitly mentioned, the same considerations apply to the "stay in - get out" decisions of existing firms. For example, Nicholas Kaldor argued:

> The reason for this [increase in concentration] is that the shift of the demand curve resulting from advertising cannot be assumed to be strictly proportionate to the amount spent on advertising -- the "pulling power" of the larger expenditure must overshadow that of smaller ones with the consequence (a) that the larger firms are bound to gain at the expense of the smaller ones; (b) if at the start, firms are more or less of equal size, those that forge ahead are bound to increase their lead, as the additional sales enable them to increase their outlay still further. Hence, after advertising has been generally adopted, and the trade settles down again to some sort of equilibrium, the pattern of the industry will have changed; sales will have been concentrated among a smaller number of firms, and the size of "representative firm" will have increased. [13, 1949]

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12. On an aggregate basis, the level of concentration may be increased by advertising when advertising affects the level of primary demand for an industry relative to other industries. Recall our discussion of primary demand in section 2.2.

13. Kaldor, N. Same Reference as Footnote 11.

Several studies have attempted to determine whether and to what extent advertising expenditures are related to concentration:

(1) L. G. Telser correlated the ratio of advertising to sales in 42 broadly defined consumer goods industry groups with the weighted average concentration ratios for those groups. The results were not statistically significant by conventional tests. [14, 1964]

(2) R. B. Eklund et al. repeated Telser's study using more recent data. They found that "the results obtained using the new data tend to deny support to the advertising-concentration thesis." [15, 1970]

(3) G. J. Stigler examined the relationship between advertising as a percent of sales and the average size of firms in 1947. He concluded:

> Preliminary analysis revealed that there is no significant relationship between firm size and advertising expenditures...advertising expenditures have no general tendency to lead to large firms...[16, 1958]

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14. Telser, L. G., Same Reference as Footnote 7.

15. Ekelund, R.B., Jr., and W.P. Gramm, "Advertising and Concentration: Same New Evidence" Antitrust Bulletin (Summer, 1970), pp. 243-249.

16. Stigler, G.J., "The Economies of Scale" The Journal of Law and Economics (October, 1958).

(4) John Vernon, in a study of the pharmaceutical industry, concluded "There is no evidence that high promotion leads to high concentration within thereapeutic markets. If anything, the inverse relation holds." [17, 1970]

(5) H. M. Mann et al. investigated the advertising-concentration relationship for 14 industries They found a strong positive relation between average firm advertising intensity and concentration and concluded "....enough of the variance in concentration is explained by advertising intensity to raise an issue for public policy." [18, 1967]

(6) Telser found that when he increased the sample size of the Mann et al. data from 70 firms in 14 industries to 130 firms in 26 industries, the correlation between advertising intensity and concentration became negative and insignificant [19, 1969]

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17. Vernon, J.M. "Concentration, Promotion, and Market Share Stability in the Pharmaceutical Industry" Marketing Science Institute Working Paper, (September, 1970), p. 21.

18. Mann, H. M., J. A. Henning, and J. W. Meehan, Jr. "Advertising and Concentration: An Empirical Investigation" The Journal of Industrial Economics Vol. 15, (November, 1967), p. 34.

19. Telser, L. G. "Another Look at Advertising and Concentration" Journal of Industrial Economics, (November, 1969).

(7) L. A. Guth concluded his study:

> The empirical findings of this paper do not indicate whether an industry that increases its advertising output will grow more or less concentrated. I have not specified conditions that make substantial advertising an attractive behavior pattern for firms in an industry. The findings do indicate advertising has a definite impact upon the present differences in the size structure of firms in the industries studied. The larger the role of advertising industry-wide, all other things equal, the greater the inequality of the size distribution of firms. The largest firms' market share is greater relative to the number of firms in the industry. [20, 1971]

(8) In Britain, P. K. Else regressed advertising/sales ratios and concentration. His analysis suggested that roughly two-thirds of the differences in the advertising/sales ratios could be a reflection of the differences in the costs of informing consumers. [21, 1966]

From this sampling of major research results, it is apparent that despite the volume of work done, no clear-cut relationship (or lack of relationship) between intensity of advertising and level of concentration has been demonstrated. Here are three conclusions on the relationship of advertising expenditures to industry concentration:

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20. Guth, L.A. "Advertising and Market Structure Revisited" Journal of Industrial Economics Vol. 19, (April, 1971), p. 193.

21. Else, P. K. "The Incidence of Advertising in Manufacturing Industries" Oxford Economic Papers, (March, 1966), pp. 88-105.

(1) Julian Simon:

> All the above discussion adds up to the idea that none of these tests yet performed is an adequate measure of the effect of advertising on concentration; none of them is a satisfactory representation of the experiments that one would like to run to measure the causal influence. Nor does it seem likely that good tests will arise soon, because the variable we want to make independent-advertising-is importantly or completely determined endogenously. [22, 1970]

(2) F. M. Scherer:

> Considerable additional research must be done before we will have a complete picture of how advertising affects concentration and vice versa. It does not seem too farfetched to conclude tentatively that intensive advertising sets into motion forces which tend to increase market concentration, though many other forces are simultaneously at work, so that the net observed effect of advertising on concentration is a weak one, surrounded by considerable variance. It is also not improbable that oligopoly is somewhat more conducive than an atomistic industry structure to intense advertising rivalry. Here, however, the evidence is singularly weak." [23, 1970]

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22. Simon, J. L., Same Reference as Footnote 3, pp. 230-231.

23. Scherer, F. M. Industrial Market Structure and Economic Performance (New York, N. Y., Rand McNally, 1970) Chapter 14.

(3) Joel Dean:

> The sinister effects of advertising in strengthening a firm's monopoly power have been overemphasized. In many industries the efforts of rivals to differentiate their products have tended to offset each other. Even though the individual firm's selling activity may be designed to enhance market imperfection, the overall effect of rival selling activity has been to reduce, to some extent, elements of imperfection by overcoming those due to consumer ignorance and inconvenience. [24, 1951]

3.5 Market Conduct:

The assertion that "advertising leads to lessened competition" may be interpreted in terms of structure (increased market power) or of marketing behavior, such as increasing prices or failing to reduce them. R. C. Bernhard pointed out the variety of meanings that have been attached to the term "competition":

> Neither unity nor consistency is apparent in the various meanings which lawyers, economists, and businessmen give to the term competition. Competition is a standard by which the law judges the legality of many business practices; competition is an abstraction which economists use to pass judgement on economic institutions and policies; competition is a plague upon firms who feel that their share of the market is insecure. Competition is a protection for consumers and a charter of freedom for individuals and firms in their productive activities. Competition is a law of nature. Competition is a violation of moral and ethical principles, a destructive, vicious, and unscrupulous form of economic aggression. It is all these things in addition to being the economist's technical specification for perfection in economic life; and, at other times, the economist's description of a reality that is far from perfect. [25, 1967]

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24. Dean, J. Managerial Economics (Englewood Cliffs, N. J., Prentice-Hall, 1951) pp. 354-55
25. Bernhard, R.C. "Competition in Laws and Economics" Antitrust Bulletin, Vol. 12, (Winter, 1967), p. 1099.

As illustrated in Exhibit 3.2, we have used somewhat more specific terms, such as "structure" and "conduct" to convey the various aspects of competition that may be related to advertising. In sections 3.3 and 3.4 we discussed the relationship of advertising to two aspects of market structure -- barriers to entry and concentration. In this section, we shall examine the relationship of advertising expenditures to aspects of market conduct, that is, how firms make decisions within an industry.

The following dimensions of market conduct will be discussed:

- pricing
- product innovation
- distribution

We shall discuss whether and to what extent the level of advertising/marketing communications expenditures affects the pattern of market conduct in the industry. Theoretically, if advertising led to market power in an industry, this fact would be reflected in changes in market conduct. For example, firms with market power would be expected to charge higher prices, and to be less responsive in changing prices, than firms without such power. In practice, it is difficult to isolate the effects of advertising/marketing communications practices on patterns of management behavior.

Marketing decisions such as price, product design, and distribution involve the consideration of many inter-related factors. Prices are not set on the basis of costs alone -- factors such as competitive marketing behavior and the response of consumers to different combinations of marketing variables must also be weighed. Even so, some research has been attempted on the relationship of advertising expenditures to indicators of conduct such as the following:

- price levels (wholesale and retail)
- cost-price margins
- research and development expenditures
- extent of distribution

Backman reported several studies on the effects of advertising on cost-price-volume relationships, and stated that no clear conclusions have emerged.[26, 1967] Results will vary according to industry characteristics. For example, Headen and McKie, after a study of the breakfast cereal industry concluded: "manufacturers do not engage in price rivalry because the consumer is not responsive to price as a major determinant of her purchase behavior." [27, 1966]

Norman Collins and Lee Preston examined the relationship of price-cost margins to industry structure. They concluded "Concentration proves to be particularly significant in explaining the margins of the four largest firms in consumer goods industries,in which such firms obtain higher margins than all other firms." [28, 1969]

The relationship of advertising expenditures to product innovation has also been examined. F. M. Scherer, after an extensive review of research on this question of product innovation and market structure concluded:

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26. Backman, J.,Advertising and Competition (New York, New York, University Press, 1967)
27. Headen, R.S. and J.W. McKie The Structure, Conduct, and Performance of the Breakfast Cereal Industry: 1954-1964 (Cambridge, Mass., Arthur D. Little, Inc., March, 1966) cited in National Commission on Food Marketing, Grocery Manufacturing, Technical Study No. 6 (Washington, D.C., Government Printing Office, 1966), p. 169.
28. Collins, N.R. and L.E. Preston "Price-Cost Margins and Industry Structure" The Review of Economics and Statistics (August, 1969), pp. 271-286

> A little bit of monopoly power, in the form of structural concentration, is conducive to invention and innovation, particularly when advances in the relevant knowledge base occur slowly. But very high concentration has a favorable effect only in rare cases, and more often it is apt to retard progress by restricting the number of independent sources of initiative and by dampening firms' incentive to gain market position through accelerated research and development. Likewise, it is vital that barriers to new entry be kept at modest levels, and that established industry members be exposed continually to the threat of entry by technically audacious newcomers..... What is needed for rapid technical progress is a subtle blend of competition and monopoly, with more emphasis in general on the former than the latter, and with the role of monopolistic elements diminishing when rich technological opportunities exist. [29, 1970]

A problem with assessing the relationship of advertising expenditures with product innovation is, simply stated, which came first? Manufacturers may increase advertising expenditures to inform consumers of new products. Thus, advertising, rather than leading to a reduction in product innovation activity, may facilitate an increase in such activity. Buzzell and Nourse, in a study of behavior in the food processing industry, showed that advertising expenditures on brands vary over the life-cycles of those brands -- high during the introductory stage and low during the decline stage. [30, 1966] While they did not examine the relationship

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29. Scherer, F.M., Same Reference as Footnote 23, Chapter 15.

30. Buzzell, R.D. and R.E.M. Nourse, Product Innovation, The Product Life Cycle, and Competitive Behavior in Selected Food Processing Industries, 1947-1964 (Cambridge, Mass., Arthur D. Little, Inc. 1966)

between advertising and innovation directly, their results do suggest advertising expenditures may be a consequence of innovational activity.

Any examination of the relationship of advertising to innovation must isolate the influence of the following factors: (1) the competitive pressure to innovate, (2) the capacity to innovate (large firms often but not always had advantages) and (3) the technological opportunities for innovation. No published research, to our knowledge, has successfully separated the effects of these factors.

The issue of the general effects of advertising on wholesaler and retailer acceptance has not been extensively researched to our knowledge. However, studies of supermarket buying behavior, such as that done by D. G. Hileman and L. A. Rosenstein, have generally indicated that the amount of advertising contemplated by the manufacturer is of considerable importance to supermarket buying committees. [31, 1961]

In summary, there is very little evidence on which to base any conclusions as to the effects of advertising expenditures on market conduct.

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31. Hileman, D.G. and L.A. Rosenstein "Deliberations of a Chain Grocery Buying Committee" Journal of Marketing, Vol. 25, No. 3, (January, 1961), pp. 52-55

3.6 Market Performance:

As defined in section 3.1.1.1, there are two basic dimensions of market performance: (1) the efficiency of resource allocation (usually measured by profit levels) and (2) the degree of consumer satisfaction. We shall discuss the relationship of advertising/marketing communications to each of these dimensions of market performance in sections 3.6.1 and 3.6.2 respectively.

3.6.1 Resource Allocation -

Ideally, resources should be allocated in the most efficient way throughout an industry and an economy. In theory, if this situation occurs, profits will be equal throughout the industry and the economy. This theory has been questioned on the basis that the level of risk differs among industries; however, the degree to which profits appear out of line in an industry has been commonly used as an indicator of a problem of resource allocation.

The relationship between advertising expenditures and resource allocation has usually been examined in two ways:

(1) by examining the relationship of concentration to profits and concentration to advertising expenditures, a relationship between advertising expenditures and profits is inferred, and

(2) by examining the relationship of advertising expenditures to profits inferring the process by which advertising leads to profits.

The relationship between profits and advertising has been examined using data of the individual firm level at the industry level. We shall examine the concentration-profits link in section 3.6.1.1 and the advertising-profits link in section 3.6.1.2.

At the outset, some problems with the profit measure should be recognized. First, what number should be used: industry aggregate profits or individual firm profits, return on assets or return on equity? The amount shown in accounting statements ignores opportunity costs, risks, and (where they exist) the accumulated favorable effects of previous advertising/marketing communications. To the extent advertising expenditures are improperly treated as expenses instead of investments (and hence affect taxes), true profit will be distorted. L. G. Telser described the problem as follows:

> The problem here is whether or not the measured profit rate is a biased estimate of the true profit rate. The measured rate is the ordinary accounting measure of profit after taxes divided by stockholder equity. The latter is total assets less debt. The problem is that stockholder equity understates the true capital of the firm and that the measured profit understates the true profit. Both are the effects of the same cause; namely, the tendency to omit intangible capital. Stockholder equity includes only tangible capital and the profit is too low because in effect it allows a 100 per cent rate of depreciation of intangible capital. The point is well illustrated by advertising....... The effects of advertising last for a period of time after the actual outlays so that advertising builds up a form of capital [32 , 1969].

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32. Telser, L. G. "Comment" The American Economic Review, (May, 1969), p. 122.

L. W. Weiss attempted to calculate the over-or understatement of profit and rate of return involved in the "expensing" of advertising. He found that his results varied largely on the basis of the rate of depreciation used. "The difference between true and accounting profits is greater, the greater the investment in advertising, the greater the rate of growth in ads, and the lower their depreciation rate." [33, 1969]

Second, it is exceedingly difficult to use a measure of profit without allowing for the effectiveness of the investment in terms of other dimensions of market performance such as product quality improvement and technological innovation (both referred to as "progressiveness"). Kaysen and Turner commented on this problem as follows:

> ...a standard of profit performance should depend not only on the result of efficiency, which by itself required that the long-run profit in excess of the supply price of capital and entrepreneurship be zero, but also on the result of progressiveness, which conceivably might call for higher profits in any industry deemed capable of innovating. In practice, though, our knowledge does not permit us to discuss what the profit standard should in fact be, if progressiveness as well as efficiency are taken into consideration... we lack the basis in either theory or experience for making any generalized statements about profit standards which reflect the relation of profits to all the desirable results we seek to achieve [34, 1959]

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33. Weiss, L. W. "Advertising, Profits, and Corporate Taxes" The Review of Economics and Statistics, (November, 1969) pp. 421-450.

34, Kaysen, Carl and D. F. Turner, Same Reference as Footnote 5, p. 62.

3.6.1.1 Relationship of concentration to profits -

Julian Simon provided one rationale for examining the relationship of concentration to profits when attempting to examine the impact of advertising expenditures in market performance:

> "If one cannot determine advertising's role in concentration, then it may be useful to study further the importance of the phenomenon of concentration. If concentration itself were found to be relatively unimportant, or if it were found to be declining, then one would not worry about advertising's effect on concentration." [35 , 1970]

However, if no relationship was found between concentration and profits, this finding would not necessarily mean that advertising expenditures have no effect on market performance.

Several major empirical studies have been done on the concentration - profit relationship:

(1) J. S. Bain related eight-firm concentration ratios with profit rates on equity in 42 industries. He did not find a very good linear relationship between concentration and profit rates although he discovered industries with an eight-firm concentration ratio above 70 percent tended to have relatively high average profit rates. [36 , 1951]

(2) G. J. Stigler approached the question slightly differently. He examined return on assets for concentrated (ratio above 60 percent) and unconcentrated (ratio below 60 percent) industries. His conclusion was that the results were somewhat ambiguous but that the hypothesis of a positive relation was not generally confirmed. [37 , 1963]

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35. Simon, J. L. , Same Reference as Footnote 3, p.231.

36. Bain, J.S., "The Relation of Profit Rates to Industrial Concentration" Quarterly Journal of Economics (August, 1951), pp. 293-324.

37. Stigler, G.J., Capital and Rates of Return in Manufacturing, (Princeton, 1963).

(3) M. Hall and L. W. Weiss took yet another approach. Using both profit measures (return on equity and return on assets), they looked at the relationship of concentration to profits for individual firms rather than for industries. Their regressions tended to confirm a weak but statistically significant positive association between concentration and profits. [38 , 1967]

Thus, the strength and character of the relationship of concentration to profits remain open to question.

3.6.1.2 Relationship of advertising expenditures to profits -

Some studies have attempted to examine the relationship of the level of advertising expenditures - usually measured in terms of the advertising-to-sales ratio - to profit levels. The major studies on this dimension are the following:

(1) W. S. Comanor and T. A. Wilson used data for 41 consumer goods industries in an examination of the relationship between structural measures and performance measures. They concluded:

> The primary finding is that advertising has a statistically significant and quantitatively important impact upon profit rates which provide a measure of market performance as well as indicate the existence of market power. The result is robust, and the estimated multivariate equations account for half of the inter-industry variance of profit rates. [39 ,1967]

(2) R. A. Miller used data on 106 consumer and producer goods manufacturing industries, but unlike Comanor and Wilson, the data were observations on individual firms. Miller found that the advertising/sales ratio was positively related with profit rates [40 ,1969]

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38. Hall, J. and L.W. Weiss, "Firm Size and Profitability" Review of Economics and Statistics (August, 1967), pp. 319-331.
39. Comanor, W.S. and T. Wilson "Advertising, Market Structure, and Performance", Review of Economics and Statistics, (November, 1967), p. 423.
40. Miller, R.A. "Market Structure and Industrial Performance: Relation of Profit Rates to Concentration, Advertising Intensity, and Diversity" Journal of Industrial Economics, (April, 1969) pp. 104-118.

(3) The Federal Trade Commission used data on 97 large food manufacturing firms in an attempt to explain differences in the structures of the markets in which the firms operated. Firms' variables were computed by weighting the industry variables by the firms' relative participation in these industries. The FTC concluded:

> Our analysis clearly substantiates the theory that market structure has a significant influence on market performance. Each of the major variables of market structure...exhibits a significant positive relationship to the profitability of food manufacturing firms. ...Product differentiation plays a particularly significant role in determining the profit performance of food manufacturing firms by its influence on the relative position of the firm in its various markets as well as by its impact on entry into these markets. [41, 1969]

(4) John Vernon and Robert Nourse employed data on 57 large consumer non-durable manufacturing firms. Their study also focussed on the firm as the unit of observation rather than the industry. Vernon and Nourse concluded:

> We found a highly significant positive association between profit rates and advertising to sales ratios. This finding is the more significant because it was based on advertising data collected from trade sources at the firm and brand level, as contrasted with the other studies that have relied upon Internal Revenue Service 3-digit industry level data. Despite our efforts to discover whether the association should be interpreted as advertising barriers causing high profits, or, alternatively, as high

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41. Federal Trade Commission, Economic Report on the Influence of Market Structure on the Profit Performance of Food Manufacturing Companies, (September, 1969), p. 6.

> advertising being a symptom of high profits, we must admit failure on this score. We should also emphasize a third possibility suggested by the high correlation between advertising and market growth rates; namely, that both high profits and high advertising are a result of high market growth rates (or, ultimately, high rates of new product innovation). [42, 1971]

On the basis of these studies, it appears there *is* a relationship between advertising expenditures and profit rates. However, how should this general relationship be interpreted? Do these results support the "advertising leads to market power argument" diagramed in Exhibit 3.2? The positive association of advertising expenditures with profit rates may generate *speculation* on the market power argument, but does not offer conclusive *empirical support*.

3.6.2 *Consumer Satisfaction* -

Whether and to what extent advertising/marketing communications affect the level of "consumer satisfaction" is an issue that, to our knowledge, has not been tackled empirically. This is not surprising because the term is *multidimensional* -- product performance, availability, service, price, etc. -- and *value-laden*. Some of these factors, such as price, have been examined individually. For example, L. G. Telser concluded "available data seem to show that advertised goods are generally more expensive than non-advertised goods" [43, 1964] However, Backman, after reviewing the evidence on the relationship of advertising expenditures to prices, concluded there was evidence to support or to deny a positive relationship. [44, 1967]

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42. Vernon, J.M. and R.E.M. Nourse, "The Effect of Market Structure on Profit Rates of Advertising Intensive Firms" (Unpublished paper) Marketing Science Institute, 1971.
43. Telser, L.G., Same Reference as Footnote 7.
44. Backman, J., Same Reference as Footnote 26.

Even if a conclusive relationship of advertising to price were demonstrated, the question remains as to whether the over-all level of consumer satisfaction has decreased. For example, one theory of advertising posits "advertising adds value to the product." This theory, it is claimed, takes into account the psychological dimensions that advertising may convey -- such as imbuing a product with "style" or "status." M. Mayer, a proponent of this frequently postulated theory, stated he believes it explains why some advertising campaigns are more successful, why some products are more advertisable, and why identical products are perceived differently:

> ...successful advertising adds a new value to the product. Only this hypothesis can account for all of the observed facts. Other theories -- especially the argument that advertising "creates wants" -- leave some facts unexplained...except in extreme cases... the value added by advertising is small in relation to those values which the product already had. [45, 1958]

Parenthetically, whether and to what extent advertising does add values to a product and whether, if this is true, is socially acceptable, are different issues. The latter type of question will be examined in Chapter Four.

We found no major empirical objective evidence on the relationship of advertising expenditures to consumer satisfaction. Some opinion research has been conducted on these questions. For example, Greyser and Bauer in a review of opinion surveys of consumer attitudes toward advertising, concluded that:

> First, in studies in each of the four decades under scrutiny here, a majority of the public believed that advertising costs result in increased consumer prices, although there are exceptions. This is apparently a particularly sensitive area for advertising; in studies where the public gives its

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45. Mayer, M. "What is Advertising Good For?" Harpers Magazine, February, 1958), pp. 25-31.

> views on a number of issues related to advertising, they tend to be more anti-advertising on this issue than on others.
>
> Second, the proportion of consumers holding this attitude has increased somewhat in recent years, although it is still below the level of the 1930's. [46, 1966]

Greyser and Reece summarized the results of two surveys -- 10 years apart -- of businessmen's attitudes toward the economic effects of advertising with the following table:

Advertising and certain economic issues [47, 1971]

Issue	Alternatives	Percentage of 1971 respondents who say:			Percentage of 1961 respondents who said:		
		Agree	Can't say	Disagree	Agree	Can't say	Disagree
Development of markets for new products	Speeds it	94%	2%	4%	95%	3%	2%
Effect on products for the public	Better ones	55	9	36	76	7	17
Effect on standard of living	Raises it	67	12	21	83	8	7
Effect on prices	Lower prices	35	16	49	54	13	33

In conclusion, much more research is needed before any relationships between advertising expenditures and consumer satisfaction can be asserted with confidence.

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46. Greyser, S.A. and R.A. Bauer "Americans and Advertising: Thirty Years of Public Opinion" The Public Opinion Quarterly Vol. 30, (Spring, 1966), p. 75.

47. Greyser, S.A. and B.B. Reece "Businessmen Look Hard At Advertising", Harvard Business Review, (May-June, 1971), p. 26.

3.7 Summary:

In our discussion of the economic effects of advertising/ marketing communications in Chapter Three, we focussed on the allegation that advertising expenditures, through the creation and maintenance of market power, lead to less satisfactory economic performance. Our discussion of the issues and evidence involved in this argument was based largely on the structure-conduct-performance model of industrial organization economics. We found contained in this model several implicit assumptions about the impact of advertising/ marketing communications on the consumer. Consequently, much of the discussion in Chapter Two provides useful background for examination of the economic issues.

The structure-conduct-performance model is based on the following posited relationship: the way in which an industry is organized (structure) influences the pattern of behavior of its members (conduct) which in turn influences the aggregate results of that industry's operations (performance). Thus, economic performance -- measured in terms of the efficiency of resource allocation and the degree of consumer satisfaction -- may, in theory, be affected by changes in market structure, in market conduct, or both. Therefore, we examined whether, and to what extent, advertising expenditures affect market structure and market conduct. However, in addition, we looked at the three links in the model -- the structure-conduct link, the conduct-performance link, and the structure- performance link -- in order to discern what conclusions would be justified as to the impact of advertising on performance if we found a relationship between advertising and structure or advertising and conduct.

Market power -- being in a position to act with considerably more discretion in such areas as pricing and product innovation than a "competitive" market place would allow -- was central to our appraisal of the economic effects of advertising/marketing communications. In fact, we looked at the ways in which advertising expenditures may lead to market power by examining the following issues:

(1) What effects do advertising expenditures have on the brand preference and purchasing behavior of consumers? Can brand loyalty be created and maintained? Do advertising expenditures become increasingly marginally effective?

(2) To what extent do the advertising activities (past, present, and anticipated) of established firms in an industry affect the condition to entry into that industry? Do established firms build up such favorable consumer patronage through advertising that potential entrants perceive it cost prohibitive to join the industry? Do large-scale advertisers realize such efficiencies (through cost-savings and proportionately higher consumer response) in advertising that the big advertisers get bigger and eventually drive out smaller firms?

(3) Do advertising expenditures, by keeping out new competitors (barriers to entry) and by driving out existing small competitors, lead to increased industry concentration?

Our analysis of the first of these issues -- consumer response to advertising -- was essentially a recapitulation of Chapter Two with emphasis on the implications of three phenomena: cumulative effects, economies of scale in advertising, and brand loyalty. In Chapter Two we concluded that cumulative effects and brand loyalty can and sometimes do result from advertising campaigns although other influencing factors must be considered. This means established firms may be able to take advantage of their head start over potential entrants. Whether, and to what extent, economies of scale, or increasingly marginally effective advertising, may exist has not been resolved by empirical research. If, in some circumstances, economies of scale exist, large-scale advertisers may be able for this reason to get bigger and thus drive out (or keep out) smaller-scale advertisers.

On the second issue -- condition of entry -- we discovered more speculation than fact as to advertising's role. Advertising is one of many possible barriers to entry thus making it difficult to relate conclusively entry decisions with the level of advertising expenditures in an industry. It has been claimed that advertising may create barriers to entry through capital requirements (amount required to finance a worthwile campaign), brand loyalty (giving established firms a head start), and cost efficiencies (for example, through media buying specialists and multi-brand spillover). Whether, to what extent, and under what conditions advertising expenditures create and maintain barriers to entry has not yet been empirically determined.

The third issue -- the relationship of advertising expenditures with the level of concentration in an industry -- has been a subject of speculation and research because it is generally believed that a concentrated industry (because its members possess market power) achieves a less satisfactory level of economic performance than an unconcentrated industry. Thus, concentration has been used as the chief indicator of the possession of market power. Empirical attempts to relate advertising expenditures to concentration levels have been inconclusive. No clear relationship or lack of relationship has been demonstrated despite a great volume of research.

Consequently, the role of advertising expenditures in the first step in the "leads to less satisfactory economic performance" argument -- that is, that advertising changes the structure of an industry -- has not been clearly shown. Despite a considerable amount of research effort, the impact of advertising on the structure of an industry is still an open question requiring much more investigation.

Our discussion of the relationship of advertising expenditures to dimensions of market conduct included the following issues:

(1) Do advertising expenditures lead firms to set higher prices?

(2) Do advertising expenditures discourage product innovation?

(3) Do advertising expenditures affect patterns of distribution?

We found very little published research on these issues. We attributed the lack of general research to the difficulty of untangling the complex marketing management decision-making process. Consequently, even if a positive relationship was demonstrated between advertising and one of the conduct variables, there are no clear-cut guidelines for interpreting such a finding. Which is the cause and which the effect? We discovered that research results on pricing, product innovation, and distribution suggest that advertising expenditures are related in some way to market conduct variables; however, a great deal more investigation is required before anything more definitive may be said.

Our discussion of advertising and market performance included the following issues:

(1) Are advertising expenditures positively related to profit levels?

(2) Are advertising expenditures negatively related to the level of consumer satisfaction provided by an industry?

The first issue -- the relationship of advertising expenditures with industry profits -- is a question of the efficiency of resource allocation. If profits are not equally distributed among industries, in theory, resources are not allocated efficiently. Our review of several major research studies revealed that these appears to be a positive relationship between advertising expenditures and profit rates. Unfortunately, on the basis of existing research, there is no way to determine whether this relationship is causal or spurious. For example, one approach to this problem would be to examine the relationships of advertising to concentration and of concentration to profits as an attempt to uncover the nature of the relationship of advertising with profits. However, attempts to relate advertising to concentration and concentration to profits have been inconclusive.

We found no general empirical research on the relationship of advertising expenditures to consumer satisfaction. We attributed this situation to the multi-dimensionality and value-laden nature of the term consumer satisfaction.

A limited amount of research has been done on some of the elements of consumer satisfaction such as price levels. Some relationships have been suggested by statistical and opinion research; however, there seems to be no way of evaluating the significance of these results in terms of overall consumer satisfaction. We did not even find general agreement on a concept of consumer satisfaction. Work in this area seems to be just beginning.

We also discussed some of the major limitations of the structure-conduct-performance model; namely, definitional, measurement, and interpretation problems. These problems, combined with conflicting research results cause us to say whether, and to what extent advertising expenditures are related to market performance have not been conclusively determined. We conclude by saying : very little, if anything can be said with confidence as to the economic effects of advertising on industry structure, behavior, and performance.

Chapter 4

EFFECTS OF ADVERTISING/MARKETING COMMUNICATIONS ON SOCIETY

4.1 Introduction

In Chapter Two we examined the effects of advertising/marketing communications on consumer purchasing behavior. In Chapter Three we examined some of the economic implications of advertising/marketing communications. In this chapter we shall appraise advertising/marketing communications from a social viewpoint. Whereas in Chapters Two and Three we were primarily concerned with the effects of advertising/marketing communications on purchasing behavior, in this chapter we shall examine some of the reactions of members of society to the nature and content of attempts to influence purchasing behavior and whether and to what extent advertising/marketing communications attempts affect the values and life-styles of members of society.

More specifically the social issues we shall discuss include the following:

- advertising persuades people to do things they otherwise would not do [in section 4.2.2]
- advertising takes unfair advantage of consumers by conveying false and misleading information [in section 4.2.3]
- advertising is frequently in bad taste [in section 4.2.4]
- advertising fosters a materialistic attitude throughout society with the resultant neglect of more important values [in section 4.3.3]
- advertising lowers the moral and ethical standards of society [in section 4.3.4]
- advertising exploits the relative lack of sophistication of children[in section 4.3.7]

These are major items among a long list of social criticisms levelled at advertising/marketing communications. John Myers, in the first chapter of a forthcoming book, presented a list of the "social issues" he found discussed in several advertising textbooks. This list -- Exhibit 4.1 -- is one

Exhibit 4.1

SOCIAL ISSUES IN ADVERTISING AS SEEN IN BASIC ADVERTISING TEXTBOOKS

1. Issues relating to cultural values:
    - . debasement of cultural values
    - . materialism
    - . cultural standards
    - . homogeneity of life style
2. Issues relating to basic freedoms:
    - . freedom of the press
    - . support of mass media
    - . freedom of speech
    - . effects on formal channels of communication
    - . brainwashing
3. Issues relating to standards of life:
    - . vicarious enjoyment
    - . advertising and affluence
    - . standards of life
    - . bad taste in advertising
    - . persuasive advertising and its changing limits
    - . image building
4. Issues relating to deception, truth, and ethics:
    - . truth in advertising
    - . ethics and morals
    - . misleading advertising
    - . shoddy merchandise and fradulent schemes
    - . kinds of unethical practices found in promotion
    - . fraud, misrepresentation, and exaggeration
    - . erroneous impressions
    - . advertising as a buyer's guide
5. Other topics discussed:
    - . public service advertising
    - . how Americans feel about advertising
    - . the information explosion

Source: J. G. Myers Social Issues in Advertising (Forthcoming Book) (New York, American Association of Advertising Agencies, 1971) Chapter One.

way of organizing a discusstion of the effects of advertising/ marketing communications on society.

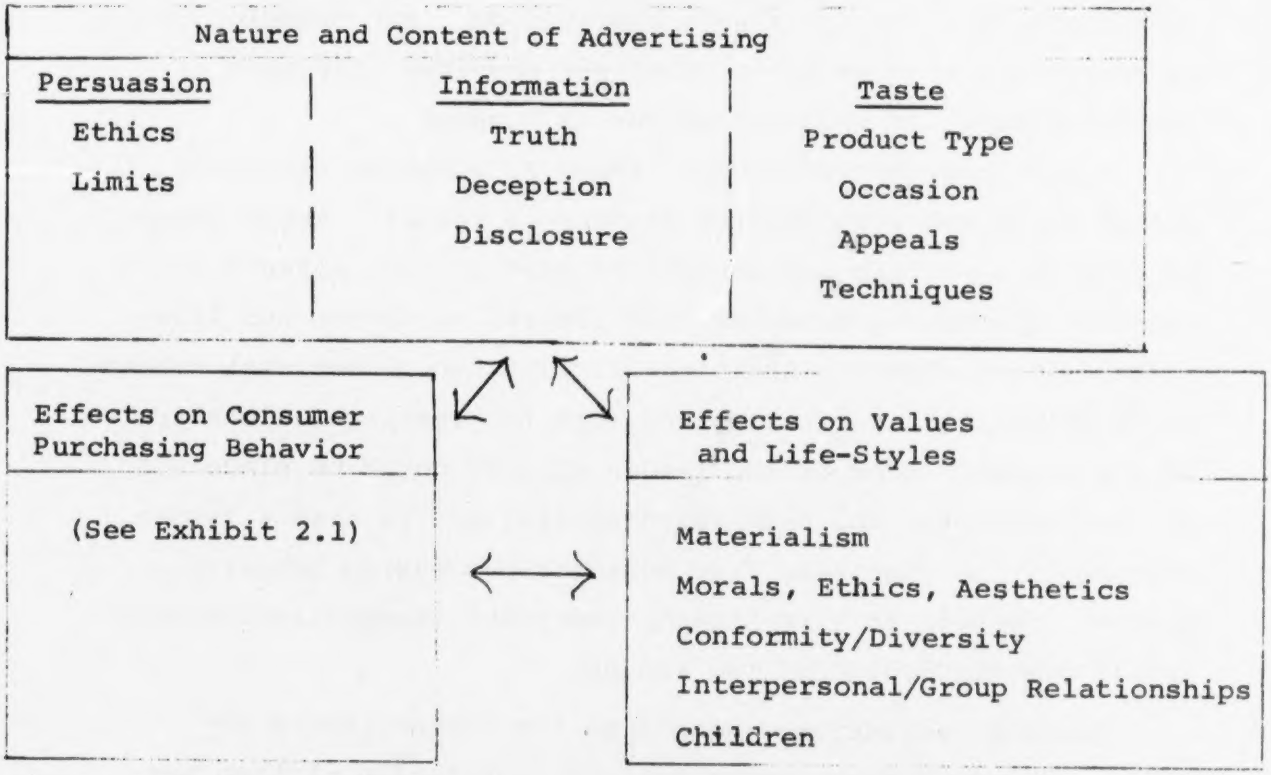
Another approach involves a distinction between the "matter" of advertising and the "manner" of advertising. For example, concern with the social acceptability of an attempt to influence purchasing behavior is a matter issue, while concern with the social acceptability of the way in which that attempt to influence is implemented is a manner issue. Although this approach is appealing because of its simplicity, in practice this distinction is not always easily made. For example, is an advertisement that is truthful but provides only part of the whole truth an issue of matter or manner?

Our treatment of social issues is somewhat arbitrary, and is organized around three classes of issues. These three categories -- nature and content of advertising, effects on consumer purchasing behavior, and effects on values and life-styles -- are shown in Exhibit 4.2. The two-directional connections between the categories reflects the inter-relationships of the issues. Some of the issues clearly could be placed in another category; for example, "materialism" is also a factor bearing on and emanating from consumer purchasing behavior. However, we hope this admittedly imperfect categorization will facilitate discussion of the issues.

Despite considerable debate on the social issues of advertising/marketing communications, resolution of them has proven difficult. Indeed, little effort has been devoted to them -- particularly research effort. Historian David Potter lamented:

Exhibit 4.2

ORGANIZATION OF DISCUSSION OF SOCIAL ISSUES


Nature and Content of Advertising
Persuasion
Ethics
Limits
Information
Truth
Deception
Disclosure
Taste
Product Type
Occasion
Appeals
Techniques
Effects on Consumer Purchasing Behavior
(See Exhibit 2.1)
Effects on Values and Life-Styles
Materialism
Morals, Ethics, Aesthetics
Conformity/Diversity
Interpersonal/Group Relationships
Children

> One might read fairly widely in the literature which treats of public opinion, popular culture, and the mass media in the United States without ever learning that advertising now compares with such long-standing institutions as the school and the church in the magnitude of its social influence. It dominates the media; it has vast powers in shaping popular standards, and is really one of the very limited group of institutions which exercise social control. Yet analysts of society have largely ignored it. [1, 1954]

The paucity of research-based knowledge on the social effects of advertising reflects the inherent difficulty of conducting meaningful studies in this area. First, there are innumerable variables involved which cannot all be controlled, measured, or assessed. Second, to study advertising/marketing communications as an institution as opposed to individual advertisements or campaigns, we would need two identical societies -- one with and the other without advertising/marketing communications and we would need to evaluate these societies over a considerable period of time. Third, the statistical techniques presently available for analyzing social effects do not, in general, permit us to reach clear-cut conclusions as to cause-and-effect relationships. And fourth, perhaps more important, even if the preceding problems were surmounted, we would still be faced with the fact that value judgments -- unlikely to be modified by data -- play

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1. Potter, D. M. People of Plenty: Economic Abundance and the American Character (Chicago: University of Chicago Press, 1954)

a dominant role in interpretation of the social impact of advertising. For example, if we could establish conclusively that advertising/marketing communications caused one percent of the population to be more permissive toward sexual indulgence, would this constitute a service or a disservice to society? If a disservice, would this result be serious enough to merit curtailment of advertising/marketing communications? Such questions can only be resolved by opinion. Consequently, opinion surveys of consumers and businessmen are relevant inputs to the consideration of these social issues.

The problems in coming to grips with social issues are compounded by the fact that most research on advertising has usually been sponsored to improve the effectiveness and efficiency of advertising for individual organizations. Thus, it is not surprising to find more speculation than fact in most discussions of social issues. It is distressing, however, how infrequently knowledge from the behavioral disciplines is applied in such discussions. In Chapter Two, we attempted to present some of this knowledge. For example, underlying much of the social criticism of advertising/marketing communications is the assumption that advertising/marketing communications are extremely powerful. Yet, as discussed in Chapter 2, we know the consumer is not a helpless pawn manipulated at will by the advertiser. The consumer selectively attends to, perceives, evaluates, and remembers promotion. He or she seldom acts immediately; rather, the consumer usually considers other marketing communications and talks with friends before taking any purchasing action. Unfortunately, such behavioral considerations are seldom found in research on the social effects of advertising/marketing communications. Indicative of the need for more thought and evidence in discussions of the impact of advertising/marketing communications in society is Walter Taplin's plea:

> It is the duty of anyone who either attacks or defends advertising on moral grounds to make sure that the discussion is confined to what is strictly relevant, to see that criticisms are not in the form of loose generalizations, to ensure that advertising, when it must be blamed is only blamed for its own crimes...It is no more moral for critics to make wild generalized attacks on advertising than it is for advertisers to make wild generalized claims for their products. [2, 1960]

With this plea in mind, we now turn to an examination of the issues.

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2. Taplin, Walter Advertising: A New Approach (London: Hutchinson and Company, 1960)

4.2 Nature and Content of Advertising:

4.2.1 Introduction -

R. A. Bauer and S. A. Greyser, after an extensive review of consumer attitudes toward advertising in general and specific advertisements, concluded that "people appear to approve of advertising in principle and criticize it in practice." [3,1968] In principle, advertising is a selling tool -- a form of persuasion. In practice, advertising provides information in ways that may or may not be socially acceptable; that is, in ways which may or may not be considered in bad taste. These aspects of the nature and content of advertising/marketing communications raise questions such as the following:

- is the use of persuasion by businessmen socially acceptable?
- is the selective emphasis of information in an attempt to influence misleading and undesirable?
- are there limits on what is considered tasteful in advertising?

We shall examine such questions in the following three sections: first, the use of persuasion in general [4.2.2]; second, the nature of the information provided [4.2.3]; and third, issues regarding the appeals, timing, and techniques employed in advertising/marketing communications [4.2.4].

4.2.2 Persuasion -

4.2.2.1 The persuasive nature of advertising -

What is persuasion? Is persuasion -- the attempt to influence and control -- itself questionable or is it the ends toward which that persuasion is directed? Is it "wrong" to persuade individuals to smoke cigarettes and "right" to

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3. Bauer, R. A. and S. A. Greyser Advertising in America: The Consumer View (Boston: Division of Research, Harvard Business School, 1968)

persuade individuals to buy government savings bonds? Do evaluations of rightness and wrongness change with different social conditions; for example, is persuasion to buy luxury items less desirable in periods of scarcity than for necessities such as food? Is it acceptable to urge individuals to want more than they can afford, as in the case of disadvantaged groups? Which is of concern: the attempt to persuade or the result of that attempt?

Such questions may seem to be more properly the province of philosophers. However, assertions that advertising/marketing communications create wants by convincing people that their present situation is unsatisfactory require that such philosophical questions be addressed.

Neil Borden argued that advertising is persuasive, and that this characteristic is inevitable:

> Whether one likes persuasion or not, it appears inevitable in a free society. Its use is universal ...It likewise appears inevitable that sellers in a free economy should try to influence buyers. The history of mankind reveals that when men wish to further the interests in which other men are involved, they further those interests by being advocates, by resorting to persuasive statement. [4, 1942]

Walter Taplin seems to agree, but pointed out that to him there are acceptable and non-acceptable forms of persuasion:

> At the lower limit it may be impossible to have any kind of social relationship without an implicit minimal element of persuasion. But it is certainly possible to have persuasion without threats, force, and the latest bestial refinements such as "brain-washing". In fact persuasion, properly so-called, obviously excludes these things. It may not be the most satisfactory of the devices whereby human

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4. Borden, N. H., The Economic Effects of Advertising (Chicago, Irwin, Inc., 1942)

> beings affect each other's behavior. But it is equally certainly not the least satisfactory. There may be something in it from which the fastidious intellect shies away. But at least it is among the most humane of the means of social influence. [5, 1960]

Very few people would argue, we believe, that advertising/marketing communications are completely unacceptable forms of persuasion. Rather the controversy centers about the acceptability of persuasion in all situations for all people, the particular methods employed, and the extent of advertising's persuasive power.

4.2.2.2 The limits of persuasion -

Otis Pease asked the following questions as to the acceptability of advertising under differing conditions:

> Is it [advertising] good for all times and under all circumstances? What about a period of high income but insufficient production, as in a time of military action abroad? What about an occasion of grossly distorted national income? What about the social value of urging large numbers of Americans to desire perfectly legitimate goods and services which are beyond their present capacity to acquire and in circumstances where a maldistribution of employment, education, and income makes it impossible for them to translate their desires into effective action? [6, 1969]

Arnold Toynbee, an oft-quoted critic of advertising, would probably reply that seldom, if ever, is the persuasive element of advertising/marketing communications acceptable:

> Advertising is an instrument of moral, as well as intellectual, miseducation. Insofar as it succeeds in influencing people's minds, it conditions them not to think for themselves and

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5. Taplin, Walter, Same Reference as Footnote 2.

6. Pease, Otis A. "Advertising Ethics: A Persistent Dilemma," Arizona Review, (October, 1969).

> not to choose for themselves. It is intentionally hypnotic in its effect. It makes people suggestible and docile. [7, 1962]

At the other extreme, there is the viewpoint that there is no question as to the propriety of advertising/marketing communications. Leo Greenland, an advertising agency president recently stated that he believes the major problem with the persuasive element of advertising is that advertisers are not very good at it:

> The most disgraceful statistic in our business is the one that says 85% to 90% of all advertising is ineffective, ignored, not remembered and acted on. Our business is to manipulate people -- to stir human yearnings, to use human motivations to sell goods. It is not only our business but everyone's business. [8 , 1971]

Under what circumstances, then, is the persuasive aspect of advertising/marketing communications, leaving aside the question of methods, most questionable? The most-cited conditions are as follows: (1) when the consumer is not able to satisfy his/her desires, (2) when the product or service is not needed or wanted, (3) when the persuasive means is unknown to, or only very subtly conscious to, the recipient, and (4) when the differences among competing products or services are slight or non-existent. In a recent popular book, Charles Reich commented on this first instance:

> ...it [advertising] inflames the desires of the poor without offering them any satisfaction at all... A continual display of better living is paraded before them. Is there any wonder that we have riots? [9, 1970]

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7. Toynbee, A. J., "Is it Immoral to Stimulate Buying?" Printer's Ink, (May 11, 1962).
8. As quoted in Advertising Age, (February, 1971) p. 130. [Worthy of note is the fact Greenland misquoted and misinterpreted the study from which his "statistic" was cited]
9. Reich, Charles A., The Greening of America (Random House, 1970)

John Kenneth Galbraith made a similar observation as to advertising's role in matching satisfaction with desires:

> Advertising and salesmanship -- the management of consumer demand -- are vital for planning in the industrial system. At the same time, the wants so created insure the services of the worker. Ideally, his wants are kept slightly in excess of his income. Compelling inducements are then provided for him to go into debt. The pressure of the resulting debt adds to his reliability as a worker. [10, 1967]

The second situation -- when products are not needed or wanted -- is complex. This question hinges on the difference between "needs" and "wants." The distinction is important because persuading people to buy things they "don't want," "don't need," or "shouldn't buy" are different allegations. Bauer and Greyser addressed this question as follows:

> To say that people have bought something they "don't need" probably (though we don't really know) means that the commentator has in mind some level of "necessity" beyond which a person may stray in a discretionary fashion. It is not clear, however, what degree of condemnation is involved in stating that a person bought something "he didn't need"... To say that people have bought something they "shouldn't buy" (our phrasing) is apparently a clear condemnation, though a condemnation couched in the norms of the observer. On the other hand, to say people bought something "they didn't want" is potentially neutral in the sense that it is conceivable that the observer thinks sometimes persons should be persuaded against their wishes to buy things (e.g., medical insurance) that are "good for them" ... However, we know from the context in which the statement is made that "advertising persuades persons to buy things that they don't want" is in fact always a condemnation. [11, 1968]

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10. Galbraith, J. K., The New Industrial State (Houghton Mifflin, 1967) p. 281

11. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3.

To what extent do situations occur in which advertising/marketing communications influence people to buy things they "don't need", "don't want" or "shouldn't buy"? Critics are prone to point to one or two specific examples as the basis for making generalized claims on this issue. For example, vaginal deodorants are a relatively new type of product that has been heavily advertised during 1970-71. Certain commentators claim that demand for this product is contrived: the product is not needed or wanted, and that advertising convinced women they "must have it". An article to this effect cited a drug company sales manager as evidence:

> The average American female, I think, feels she's quite clean. She takes lots of showers and baths and uses bath oil and all that. It isn't until this is brought to her attention that she might have vaginal odor or does have vaginal odor that (she realizes) there's one area she hasn't taken care of. [12, 1969]

Factual determination of the accuracy of such allegations is difficult, if not impossible. It would be necessary to examine the complex process of reconciliation of wants/needs with available products and services. In practice, each is adjusted, as Walter Taplin observed:

> Fitting goods to wants is obviously a matter of adjustment on two sides. The goods may be adapted to the wants, or the wants may be adapted to the goods. The idea that wants are fixed and must be met entirely by adjustments on the production side is an error. Certainly the variety of products may be increased in the attempt to meet individual needs more accurately; and variety may also be reduced in order, by cheap mass production, to put the product within the reach of more people, even though some may

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12. Clark, M. as quoted in Harvard Crimson October 18, 1969.

> have to forego the exact adaptation of the product to their personal needs. But these are not the only, and not necessarily the best, ways of bringing about the adaptation. There is still the possibility, which is likely to be more economical and may well be more satisfactory in every respect, of altering the want...
>
> Wants may be altered merely by persuading the consumer to think a little longer, in which case he may arrive at a more accurate idea of what he wants. He may be persuaded to try a product of which he has hitherto been ignorant and so discover that he can meet his original want more accurately than he at first thought possible. He may even be persuaded to drop one want and adopt another instead, or to alter the whole pattern of his expenditure -- though such feats of persuasion are rare. The total outcome may be that he is better off. All these conjunctures are possible within the field of persuasion, and the fact that they are possible can hardly be regarded as cause for indignation. But this seems to be as far as "altering the want" can go without running close to the limit of persuasion. [13, 1960]

Mayer took a stronger position:

> The notion that advertising can somehow "manipulate" people into buying products they should not buy is both arrogant and naive. It has been proven false repeatedly by advertising's inability to keep an inferior product afloat or to sell against primary trends. [14, 1958]

Rosser Reeves, another advertising executive, argued that advertising is not all-powerful: "If the product does not meet some existing desire or need of the consumer, the advertising will ultimately fail." [15, 1961] On the other hand, Ralph Nader has claimed that advertising is powerful:

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13. Taplin, Walter, Same Reference as Footnote 2.

14. Mayer, M. "What is Advertising Good For?" Harper's Magazine, Vol. 216, (February, 1958) pp. 25-31.

15. Reeves, R. Reality in Advertising (New York; 1961) p. 141.

> The fact, of course, is that these ads work. They are persuasive. They are a spectacular example of applied social science. They do change people's purchasing habits and tastes. They do reallocate consumers' resources. [16, 1970]

Again, we are faced with two questions: What do people think happens and what actually happens? In Chapters Two and Three we discussed the impact of advertising/marketing communications on consumer behavior from the standpoint of consumers and companies. Neil Borden concluded that consumers have *expectations* of advertising:

> The study of specific advertisements showed consumers to be sensitive to many of the failings of certain types of advertising then current. For most of these failings they had a wide tolerance, expecting advertising to be biased; but they had little tolerance for statements that they regarded as untrue. They possessed a fairly strong belief that advertising should be true and informative. [17, 1942]

We shall examine the *informative* aspects of advertising/marketing communications in section 4.2.3; however, Borden's statement echoes one of the themes of Chapter Two -- consumers are not helpless in the face of attempts to influence their purchasing behavior, nor are advertising/marketing communications the only factors influencing their behavior. As Wilbur Schramm stated:

> Any given communication that comes to an adult enters into a situation where millions of communications have come before, where group norms are already ingrained, and where the mind is already made up and the knowledge structured on most subjects of importance. The new communication is therefore usually not

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16. As quoted in *Advertising Age* (December 7, 1970).

17. Borden, N. H., Same Reference as Footnote 4.

> an earthshaking event, but merely another drop in the long slow process that forms the stalactites of our personalities. [18]

Statements such as Borden's and Schramm's might be construed to indicate that the consumer recognizes the intent of advertising/marketing communications and is well able to protect himself/herself against the persuasive onslaught. Communications researchers such as Joseph Klapper have reported findings that suggest the audience is not helpless. [19, 1960] Many critics have accepted the purported ability of the consumer to evaluate and discount the claims of advertising/marketing communications. For example, Galbraith stated:

> ...because modern man is exposed to a large volume of information of varying degrees of unreliability...he establishes a system of discounts which he applied to various sources almost without thought...the discount becomes nearly total for all forms of advertising. The merest child watching television dismisses the health and status-giving claims of a breakfast cereal as "a commercial" [20, 1967]

However, questions have been raised as to whether the consumer is always able to protect himself. The third instance in which the persuasive nature of advertising/marketing communications is questionable -- when the consumer is not aware he/she is being influenced -- became a subject of concern with the publication of Vance Packard's The Hidden Persuaders in 1957. [21, 1957]

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18. Schramm, Wilbur [Source not located].
19. Klapper, Joseph The Effects of Mass Communication (Glencoe, Illinois; Free Press, 1960).
20. Galbraith, J.K., Same Reference as Footnote 10, pp. 325-326.
21. Packard, Vance, The Hidden Persuaders (Pocket Pooks, Inc., 1957).

Advertising was depicted by Packard as all-powerful -- the unseen manipulator of the emotions and deeply-rooted desires of the individual. The unwarranted scare about subliminal advertising caused further public concern. In 1959 Louis Cheskin reported:

> Studies...conducted in the last 12 years show conclusively that individuals are influenced by advertising without being aware of that influence. An individual is motivated to buy something by an ad, but he often does not know what motivated him. [22, 1959]

Defenders of advertising countered with protestations of good intentions and claims that advertising was not all-powerful. For example, Fairfax Cone, an advertising executive, argued:

> Advertising is not a plot. Nor are most advertising people wily plotters. They are salesmen, in print and over the air. And just as most good salesmen-in-person seek to know all they can about their prospective customers, so do most manufacturers and their salesmen-in-advertising undertake to learn all they can about their prospective customers. Motivational research is done primarily for two reasons: first, to find out what people know about products (and services), and second, to find out what people want in products (and services) that may not be currently there. [23, 1958]

This "hidden persuaders" controversy is further complicated by the suggestion that even if much advertising does not get attention or change attitudes, it may still be effective in influencing buying behavior. Alfred Politz advanced what he called the "familiarity principle" which states that something that is known inspires more confidence than something that is unknown. He believed the implications of this principle were as follows:

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22. Cheskin, L. Why People Buy (New York, 1959) p. 54.
23. Cone, F. M. "Advertising Is Not a Plot" The Atlantic (January, 1958).

> A piece of advertising which does nothing else but mention the name of the product will contribute something to the sales of that product, simply by creating an awareness of the brand name that generates this minimum amount of confidence. [24, 1960]

Herbert Krugman has extended this line of thinking with recent empirical work relating the degree of "involvement" of the viewer with the impact of advertising or perception of product characteristics. [25, 1965] Does the consumer erect defenses against this form of influence? This is a topic for future research.

In addition to behavioral research and theorizing as to the persuasive influence of advertising/marketing communications on consumer behavior, researchers have asked consumers and businessmen their opinions about the ability of advertising to effect unwanted control over people's behavior. The results of these studies are not all directly comparable due to the differences in wording employed; however, as shown in Exhibit 4.3, they do indicate the extent and stability of public concern as to advertising's impact on behavior. Basically, these data show that advertising is considered to have considerable persuasive power to create wants to which the public will be responsive. The percentages vary somewhat, but the public seems clearly to take an anti-advertising position on the persuasion issue.

The fourth instance in which the persuasive nature of advertising is questionable is the use of advertising to convince consumers that there are meaningful differences between identical or nearly identical products or services.

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24. Politz, Alfred, "The Dilemma of Creative Advertising" Journal of Marketing, Vol. 25, No. 2, (October, 1960).

25. Krugman, H. E. "The Impact of Television Advertising: Learning Without Involvement", Public Opinion Quarterly (Fall, 1965), pp. 349-356.

Exhibit 4.3

PUBLIC OPINIONS ON THE PERSUASIVE EFFECTS OF ADVERTISING

	Per Cent Agreeing
Do you think advertising leads people to buy things they don't need or can't afford? (Gallup, 1939, 1940)	
1939	80*
1940	81*
Advertising leads people to buy things they don't need or can't afford. (Ohio State Study, 1950)	80
Most advertising just tries to get people to buy a lot of things they don't really need. (Field California Poll, 1953, 1961)	
1953	45
1961	59
Advertising creates desires and wants that otherwise wouldn't exist (Harris, 1962)	90
Advertising often persuades people to buy things they shouldn't buy. (AAAA, 1964) +	73
Advertising often persuades people to buy things they don't need (*Harvard Business Review* Study, 1971) +	85
Advertising often persuades people to buy things they don't want (*Harvard Business Review* Study, 1971) +	51

* Per cent who answered "Yes" or "In some cases."

+ Statements were put in alternate forms to split halves of the sample. Results here are responses to this statement only. *Harvard Business Review* study was a survey of businessmen's opinions, while the other studies cited were surveys of the general public.

Source: Adapted from Greyser, S.A. and R.A. Bauer "Americans and Advertising: Thirty Years of Public Opinion" *The Public Opinion Quarterly* Vol. 30, (Spring, 1966).

The Federal Trade Commission complaint against ITT's Wonder Bread illustrates the concern with "artificial differentiation," as well as the difficulty of setting standards as to what constitutes meaningful (and hence promotable) differences among products. [26] This topic is very important -- we shall examine it further in section 4.2.3.

4.2.2.3 Summary -

Although acceptable in principle as a tool of selling, the persuasive nature of advertising/marketing communications has been questioned in four situations:

(1) when directed at consumers unable to purchase the advertised products;

(2) when the product or service is seen as "not needed" or "not wanted;"

(3) when the persuasive means is unknown or only very subtly conscious to the recipient; and

(4) when the differences among competing products are slight or non-existent.

In each of these situations, behavioral research and public opinion provide but imperfect guidelines as to the acceptable limits of persuasion in advertising.

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[26] The Federal Trade Commission claimed Wonder Bread is not uniquely nutritional but that Wonder Bread's advertising leads consumers to believe that it is a different and better product.

4.2.3 Information -

4.2.3.1 The distinction between persuasion and information -

In the preceding discussion of persuasion, we made an artificial distinction between "informative" and "persuasive" advertising/marketing communications. While this distinction is often made, it is virtually impossible to distinguish between the two in practice. As Walter Taplin observed:

> The logical and practical difficulties involved in any attempt to separate information from persuasion ... arise from the fact that the two concepts shade into each other. Any dividing line between information and persuasion must be artificial, an arbitrary mask made for the purposes of discussion. [27, 1960]

Even so, advertising/marketing communications clearly have an informational role. Albert Frey stated: "Advertising fails to accomplish a major social objective if it does not aid intelligent selection of goods and services by buyers." [28, 1961]

Just what kind of information aids or obstructs "intelligent selection"? Again, there are a number of dimensions that must be examined.

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27. Taplin, Walter, Same Reference as Footnote 2.

28. Frey, Albert W. Advertising (New York: The Ronald Press Co., Third Edition, 1961)

- First, there is the issue of truth itself: is literal truth the standard by which false advertising is determined? [4.2.3.2]
- Second, there is the issue of deception: What constitutes a deceptive or misleading advertisement? Misleading to whom? Is an advertisement deceptive if it possesses the capacity to mislead or if it actually misled someone? [4.2.3.3]
- Third, to what extent should advertisers be allowed to exaggerate: what is acceptable "puffery"? [4.2.3.4]
- Fourth, there is the issue of "the whole truth": what information (whether to the advertiser's advantage or not) should be disclosed? [4.2.3. 5]

We shall now examine each of those dimensions in turn.

4.2.3.2 Truth -

Conceptually, the first issue - truth or falsehood of advertising/marketing communications -- is the simplest. Presumably, a claim is true or it is not; whether a lack of truthfulness is apparent to recipients is a separate question. The FTC has attempted to curb instances of false advertising/ marketing communications for over 50 years. [29, 1964] To assist in such efforts, the FTC recently moved to require advertisers to provide substantiation of claims.[30, 1971]

A recent opinion survey of businessmen revealed that most businessmen strongly support the principle of substantiation

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29. For a comprehensive review of activities over the past 50 years, see Millstein, Ira N., "False Advertising and The Federal Trade Commission", Columbia Law Review, Vol. 64, (March, 1964).
30. For details, see Federal Trade Commission News Summary, No. 34, (July, 1971).

requirements for advertising claims. [31, 1971] It has been argued that it is difficult to substantiate claims such as "makes you feel more attractive," but Christopher Gale, in a study of consumer reaction to "truth in advertising" stated he believed that bench-mark data can be developed for most claims and that preventing untruthful advertising would not be very difficult. [32, 1970]

4.2.3.3 Deception -

The issue of deception in advertising/marketing communications involves several sub-questions: intent of the advertiser, capacity of the advertising/marketing communications to deceive or mislead, the fact that someone may indeed have been deceived or misled, and the standard of judgment to use (for example, capacity to mislead whom?).

In the past, charges of deceptive or misleading advertising required demonstration of intent (that is, the advertiser set out to mislead) or of occurrence (that is, someone was misled). Recently, the emphasis has been on the capacity to mislead or deceive, whether or not this actually occurs. Richard Pollay summed up this trend as follows:

> The central judgment in cases of deceptive advertising involves not so much the characteristics of the consumer but the characteristics of the advertisement itself. The evolution of thought has taken away the necessity of showing intent to deceive and has even removed

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31. Greyser, S.A. and B.B. Reece " Businessmen Look Hard At Advertising" Harvard Business Review, **(May-June**, 1971).
32. Gale, Christopher Truth in Advertising: The Consumer View (Unpublished Doctoral Dissertation, Harvard Business School, 1970).

> the necessity of demonstrating that someone in fact has been deceived. The current criterion is the "capacity or tendency to deceive." All that seems necessary for a judgment of deception is for an advertisement to have potential for being perceived by some consumers in a way that is discrepant with the true offerings by the advertiser. The likelihood of such a perception does not seem to be in question. [33, 1969]

This approach does have some problems. First, as we discussed in Chapter Two, behavioral research has shown that perception is influenced by the message itself, the context of the message, social influence, and personality characteristics. Second, even if the effects of all of these factors could be isolated, whose intelligence, circumstances, and so on should be used as the standard -- the capacity to deceive or mislead whom? Third, most advertising/marketing communications are addressed only to part of the market; however, the media available generally do not allow careful selection of which individuals are exposed to the advertising. Consequently, some individuals may be exposed to an advertisement not intended for them and find it misleading. To what extent is the advertiser responsible?

4.2.3.4 Puffery -

The question of what constitutes an acceptable level of exaggeration or puffery is also a complicated one. Advertising/marketing communications are symbolic communications. Symbols and images are interpreted according to the expectations and values of the recipient of the communication. Theodore Levitt argued that the consumer wants and needs

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33. Pollay, R. W., "Consumer Protection and Advertising" Bulletin of Business Research, (July, 1969).

exaggeration in advertising/marketing communications:

> Rather than deny that distortion and exaggeration exist in advertising, in this article, I shall argue that embellishment and distortion are among advertising's legitimate and socially desirable purposes; and that illegitimacy in advertising consists only of falsification with larcenous intent...it is difficult as a practical matter to draw the line between legitimate distortion and essential falsehood...the consumer suffers from an old dilemma. He wants "truth," but he also wants and needs the alleviating imagery and tantalizing promises of the advertiser and designer. [34, 1970]

Two recent FTC cases illustrate the difficulty of determining the amount of puffery that is acceptable in instances where the product does not appear to offer unique benefits to the consumer, but the advertising seems to convey that impression. The ITT-Continental Baking Wonder Bread case was mentioned in section 4.2. Another similar case involved the Shell Oil Company's claims for its platformate additive. The FTC maintained the same additive was found in other gasolines; therefore, it was **claimed** to be unacceptable puffery for Shell to advertise as if this additive was unique to Shell gasoline.

4.2.3.5 Disclosure -

The fourth issue -- what information should be disclosed -- is related to the previous three issues. First, what information about product composition, price or potential health hazards should be provided? Disclosure requirements, such as those of the Food and Drug Administration, are designed to protect the public from danger; however, these requirements may also decrease the possibility of

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34. Levitt, Theodore "The Morality (?) of Advertising" Harvard Business Review (July-August, 1970).

"telling only part of the truth." While the imposition of such disclosure requirements is often resisted, the basic idea is not new, and the requirements tend to be accepted in time. Second, after-the-fact disclosure has been suggested as a remedy for false and misleading advertising. Under this suggested remedy -- known as "corrective advertising" -- an advertiser would (1) admit that his previous advertising was false or misleading and (2) present the "truth". Although this remedy has been sought in several recent FTC cases, only one case has been settled with the corrective advertising remedy. [35, 1971]

4.2.3.6 Public opinion surveys -

Is the general public concerned about these issues regarding information in advertising/marketing communications? Bauer and Greyser found the public was concerned: "We, like other investigators, found that one of the most frequent reasons cited for being annoyed with advertisements has to do with the accuracy with which advertisements reflect reality" [36, 1968]. A summary of public opinion survey findings regarding "truth in advertising" is presented in Exhibit 4.4.

4.2.3.7 Summary -

We have discussed several of the dimensions of the informative nature of advertising:

- truth (substantiation of claims)
- misleading and deceptive information (intent, capacity, standard, and event)
- puffery (limits)

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35. For further details, see Cohen, S. E., "Corrective Ad Scene Gets Clarified in Current Litigation" Advertising Age (May 10, 1971).

36. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3.

Exhibit 4.4

TRUTH AND STANDARDS IN ADVERTISING

A. Truth and Standards in General

Most advertising statements are based on reasonable facts or exaggerated claims. Which do you find most often to be the case? (*Sales Management*, Sept. 1, 1938)

	1934	1938
Reasonable	51%	42%
Exaggerated	49	58

On the whole, do you believe advertising today is truthful? (*Ladies Home Journal*, May 19, 1939)

Yes	51%

How much advertising is misleading? (*Consumer Attitudes toward Distribution*, 1946)

Practically all	8%
At least half	35
Less than half	35
Practically none	6

Advertisements present a true picture of the product advertised. (AAAA, 1964)*

Generally or partially agree	47%

B. Truth and Standards Today and Yesterday

Is advertising more or less truthful than 5 years ago? (Gallup, 1939, 1940)

	1939	1940
More	46%	50%
Less	21	19

Present day advertising is much better than that of 4-6 years ago. (*Consumer Attitudes toward Distribution*, 1946)

Yes	62%
No	8
Doubtful	20
Don't know	10

Advertising today is more truthful than it was three years ago. (Ohio State Study, 1950)

More truthful	41%
Less truthful	15

Would you say that today's standards are higher, lower, or about the same, compared with ten years ago?* (AAAA, 1964)

Higher	58%
About the same	18
Lower	10
Don't know	14

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* Statements were put in alternate forms to split halves of the sample. Results here are responses to this statement only.

Sources: From Greyser, S.A. and R.A. Bauer "Americans and Advertising: Thirty Years of Public Opinion" The Public Opinion Quarterly, Vol. 30, (Spring, 1966).

- disclosure (whole truth and corrective)

Further, we briefly mentioned some public opinion research results. In this context, one of the major findings of the Bauer and Greyser study concerned the public's reaction to informational problems versus other criticisms of advertising and advertisements:

> The net impact of the reasons given for liking or disliking both advertising and advertisements is as follows: the necessity for an informational function is recognized and ads and advertising are approved of for filling this role. Disapproval comes in part for deficiencies in this informational role, but more from the fact that ads themselves are unpleasant and intrusive. [37, 1968]

We shall now turn to these other sources of criticism of the nature and context of advertising and advertisements.

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37. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3.

4.2.4 **Taste** -

4.2.4.1 Introduction -

Much of the annoyance expressed with regard to advertising/marketing communications is concerned with the manner of presentation of promotional messages. The following table, summarized from Bauer and Greyser's study, presents some of the reasons people do not like advertising:

REASONS WHY PEOPLE DO NOT LIKE ADVERTISING**

	Percent*
Advertising's intrusiveness	40%
Untruthful or exaggerated	26
Silly, insults intelligence	11
Offensive or bad for children	8
High pressure selling	6
Increases prices	3
Other reasons	11
(N)	1,846

* Percentages do not add to 100 because some respondents gave more than one answer.

** Adapted from Bauer, R. A. and S. A. Greyser Advertising in America: The Consumer View (Division of Research, Harvard Business School, 1968).

It is difficult to find a term which adequately conveys all the dimensions of the manner in which advertising/marketing communications are presented to the public. While it might be possible to classify techniques and circumstances in great detail, the basic question is, do the advertising/marketing communications conflict with standards of socially acceptable behavior? In short, are the ads in bad taste? For want of a better term, we shall use "taste" to describe these ethical, moral, and aesthetic considerations regarding the manner in which advertising/marketing communications are handled.

Advertising/marketing communications may be considered as of questionable taste for several reasons including the following:

- the promotion of an objectionable product (for example, personal hygiene articles) [section 4.2.4.2.]
- the inappropriateness of the occasion or context in which the promotion occurred (for example, contraceptives on Saturday morning) [section 4.2.4.3]
- objectionable appeals (for example, excessive use of fear or sex) [section 4.2.4.4]
- the excessiveness of the techniques used (for example, loud pulsating hard-sell advertisements) [section 4.2.4.5.]

We shall discuss each of these situations in turn; however, there are some common problems in determining the line between good taste and bad taste.

First, ethics, morals, and aesthetics -- or general standards of behavior, specific standards of behavior, and artistic standards -- are problems involving mores and philosophy that may often differ widely in America's heterogeneous population. One man's humor may be another's idea of bad taste. Who decides for whom what is socially acceptable and what is not? For example, should a government agency, parents in general, or his own parents decide what commercials a child may be exposed to on television?

Second, whatever the standards of taste (or tastefulness) are, they change over time. Perhaps the most striking example is the change in general standards regarding the manner of discussion of personal hygiene and sexual behavior in advertising/marketing communications. In this particular instance, it becomes particularly difficult to separate the promotion from the product (as will be discussed subsequently in section 4.2.4.2).

Third, there are semantic problems with the variable called taste. Do different words -- words such as "annoying", "offensive", "irritating", "enjoyable", and "insulting" -- frequently used to describe attitudes toward the content and presentation of advertising/marketing communications, convey the same or different meanings?

4.2.4.2. _Product versus advertising_ -

Suppose criticism were voiced that an advertisement for a vaginal deodorant spray was in "bad taste?" What is the cause of that criticism? Perhaps the product itself was objectionable, or the explicit treatment given it in the ad, or the implication that sexual pleasure would be more forthcoming, or the fact it was shown at 7:30 p.m. and children might have seen it. Such a hypothetical situation illustrates two important points. _First_, any determination of the tastefulness (or lack of it) of advertising/marketing communications is situation-specific -- it is difficult to establish generalizations. _Second_, it is important in any particular situation to determine whether the product or the promotion for it is the major cause of criticism. Once this major distinction has been made, then further details are necessary; for example, if it is the promotion, is the cause of concern the appeal, the timing, or what? Organizations such as the Television Code Review Board constantly grapple with such problems. For instance, at one time vaginal deodorants and hemorrhoidal remedies were not acceptable product categories for television advertising subject to Code authority. However, recently this ban has been lifted subject to restrictions such as "sexual themes or connotations are to be avoided". [38, 1971]

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38. National Association of Broadcasters _Code News_, Vol. 4, Number 4,(June 1971).

Theoretically there are basically two ways in which decisions can be made as to what products may be offered and promoted. _First_ the decision may be made "economically" through the market system; that is, manufacturing and advertising/marketing communications efforts are determined on the basis of what people will pay for. _Second_, the decision may be made "socially" by society as a whole (for example, by consensus of voters) or by society's delegates (for example, by a government agency). _In practice_, neither of these approaches is found in a pure form. Societies conduct their systems with various blends of economic and social determination. Seldom are there arguments regarding the choice of one alternative versus another; rather, arguments continue as to how much of each alternative. In the United States, products have been socially controlled primarily with regard to health and safety, not with regard to their ability to offer functional and psychic gratification to the consumer (leaving aside at the moment the nature of the promises or suggestions in the advertising/marketing communications). The requirement of a warning on cigarette packages and the subsequent prohibition of broadcast advertising for cigarettes in 1971 exemplify social determination of the advertising/marketing communications for a product. The major point here is that advertisers may find themselves under attack, not because of the advertising, but because of the product itself.

4.2.4.3. _The advertising occasion_ -

While the public may have no unfavorable attitude toward the product being promoted, it may react with annoyance at the lack of taste shown in the _timing_ of the presentation of the advertising/marketing communications. For example, some people may find the promotion of laxatives at dinnertime in bad taste because the commercial would be incongruous with what they are doing at the time. Or, some people may find the promotion of contraceptives during a Sunday broadcast of a Roman Catholic service in bad taste because the commercial would be incongruous with the context in which it appeared. Consumers might complain that there are too many advertisements, that they occur at the peak of excitement in television shows, that they are too lengthy, and that they are repeated too often. Such criticisms also attack the advertiser's sense of timing. Perhaps the most controversial aspect of the timing issue at the moment is advertising that appears when children are likely to be exposed -- particularly television advertising on Saturday morning. It is necessary, but difficult, to separate the issue of whether any advertising/marketing communications should be allowed at certain times and the issue of what types of advertising/marketing communications should be allowed, if any, at certain times. For example, the following question, asked in a 1971 Roper study, does not clearly separate these issues:

> Now I'd like to ask you about commercials on children's television programs -- and I mean all kinds of children's programs. Some people think there should be no commercials in any kind of children's programs because they feel children can be too easily influenced. Other people, while perhaps objecting to certain commercials, by and large see no harm in them and think children learn from some of them. How do you feel -- that there should be no commercials on any children's program or that it is all right to have them if they don't take unfair advantage of children?

On children's programs:	Total Sample %	People who have children: Under 6 years old only %	People who have children: 6-16 years old only %	People who have children: Both under and over 6 years old %
Should be no commercials	18	20	18	21
All right to have them	74	78	79	78
Don't know or no answer	8	2	3	1

[39, 1971]

The issues involved in advertising/marketing communications to children are complex; we will examine them in more detail in section 4.3.7.

4.2.4.4 Appeals -

In Chapter Two we mentioned "rational" and "emotional" buying behavior and pointed out the semantic problems with such terminology. We encounter this difficulty again with the classification of appeals. Some authors distinguish between rational appeals (presumably appeals such as price comparison and product feature description) and emotional appeals (presumably appeals such as sexual attractiveness and other forms of psychic gratification). Most criticism as to the tastefulness of the appeals used in advertising/marketing communications is directed at the use of emotional appeals.

Two principal types of emotional appeals are frequent sources of controversy: first, the use of sex and second, the use of fear.

With regard to the use of sex as an appeal, it is not

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39. The Roper Organization "An Extended View of Public Attitudes Toward Television and Other Mass Media, 1959-1971", (June, 1971).

always so much what is in the ad as what the viewer brings to it. The use of phrases -- some more blatant than others such as "had any lately?" -- rely on this fact for effect. Further, some people may find sexual double-entendres or the more explicit use of sex more acceptable in some media (such as men's magazines) than others (such as television); more acceptable for some products (such as toiletries) than others (such as breakfast cereals); and, more acceptable for some audiences (such as adults) than for others (such as children). Even so, it seems some people do not find the use of sex in advertising/ marketing communications a relative question. Rather, they think someone is pushing not just sex, but abnormal sex or sexual indulgence.

But, what constitutes a "sex appeal" in advertising/ marketing communications? Nudity? Panty-bra advertising? Come-hither looks? Freudian symbols? Man-women in same advertisement? Should we be concerned with what the advertisement contains (for example, a slinky girl lolling on the hood of a new car) or with the response of the viewer to the advertisement (which may not be sexual arousal)?

Even if we are able to define or classify sex appeals in advertising/marketing communications, the question of whether its use is socially acceptable or not remains. The censorship of material to be viewed by the public is a continuing subject of controversy -- a matter in which all elements of society are involved. However, it is unlikely that most advertisers intend to offend the majority of the public by pandering to the sexual desires of a few. Chester Posey, an advertising executive, gave the following opinion on the use of sex in advertising:

> I think that sex, like appetite appeal, is an instrument of persuasion; we should use it to persuade rather than to arouse or shock ... I think we best serve those responsibilities [to the reputations of our clients and to acting with integrity towards the public] by being sensitive to the public attitudes towards sex rather than by trying to change them or to lead them. [40, 1968]

The use of fear presents similar, althought not identical, questions. Anti-smoking and anti-drug advertisements use fear-arousal extensively. However, so do deodorant and mouthwash advertisers, insurance advertisers, and many others. Fear is a complex emotion. An individual may fear for his/her safety or for the safety of others (as exemplified in the 1968-69 gun control advertisements referring to the assassinations of prominent public figures); fear for his/her position in society and sexual attractiveness (as exemplified in some mouthwash advertising); and fear for his/her dependents' future (as exemplified in life insurance advertising and savings programs to fund college education for children).

Is it socially acceptable to amplify fears individuals have -- such as those related to body odors -- in an attempt to sell products? Is it in bad taste to draw attention to an individual's deficiencies and portray or hint at grave consequences if the individual does not buy the product being advertised? What do we expect an advertiser who has a "parity" product -- a product just about the same as everyone else's product -- to say? At the present time, there do not appear to be any generally agreed-upon answers to these questions.

Another dimension of the question of social acceptability of promotional appeals is the level of intelligence

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40. Posey, Chester, American Association of Advertising Agencies Eastern Annual Conference, New York City, 1968.

EXHIBIT 4.5

REASONS WHY CERTAIN ADVERTISEMENTS ARE CONSIDERED ANNOYING

(Open-end responses)

Stimulus qualities of ad				73%
Intrusiveness:	Heard or seen it too often	20%	42%	
	Disliked people in ad, their voices, music	9		
	Internal repetition	5		
	Too long or large	4		
	Too loud	4		
Insult to intelligence:	Silly, ridiculous, absurd	8	19%	
	Talked down to me, patronizing	6		
	Unreal situation or demonstration	5		
Content impact:	Unimportant sales argument	4	12%	
	Made me feel depressed	3		
	Boring	3		
	Confusing	2		
Informational failure				36
	Misleading, false, dishonest, fake demonstration	13		
	Don't believe claims	11		
	Contradicted experience with the product	6		
	Exaggerated product's ability	6		
Moral concern				10
	Type of product should not be advertised	6		
	Ad is bad for children	4		
Evaluative				9
	Ad is poorly written or performed	5		
	All ads for this product say the same thing, look or sound alike	4		
Other answers				5
"It was just annoying" or no further answer				5
				138% *

(N = 2,126 ads)

* Percents add to more than 100% due to multiple mentions.

Source: Bauer, R. A. and S. A. Greyser Advertising in America: The Consumer View, (Division of Research, Harvard Business School, Boston: 1968) of the viewer apparently assumed by the advertiser. That is, some critics of advertising/marketing communications complain about the simple-mindedness of the promotional message, claiming that their intelligence has been insulted. The core of this type of argument is that mass advertisers aim at the lowest common denominators in human beings. Consumers and businessmen often feel their intelligence is being insulted.

Bauer and Greyser, in the survey of consumer attitudes, found that a frequent criticism of the nature of certain advertisements was the perceived insult to the respondent's intelligence. Their results are presented in Exhibit 4.5.

Greyser and Reece, examining the change in attitudes of businessmen toward advertising over a 10-year period, reported the following:

Compared with ten years ago, would you say there is a greater, a smaller, or about the same proportion of...	Percentage of respondents who answer: Smaller proportion	About the same proportion	Greater proportion
Ads which themselves are in bad taste	29%	25%	46%
Ads for objectionable products	21	38	41
Ads which insult the public's intelligence	20	28	52
Ads which insult your intelligence	18	25	57
Ads which are irritating	18	28	54

[41, 1971]

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41. Greyser, S. A., and B. B. Reece "Businessmen Look Hard at Advertising" Harvard Business Review,(May-June, 1971).

Other types of appeals than sex and fear used in advertising/marketing communications have been criticized. For example, some commentators lament the use of materialistic or "life isn't complete unless you own one of these" appeals. One-upmanship ("own-a-better-one-than-your-neighbor") appeals have also been attacked. Other types of appeals that could be discussed with regard to their tastefulness include: ethnic appeals and role-portraying or stereotyping appeals. Materialism, ethnic groups, and role portrayals will be looked at in sections 4.3.3 and 4.3.6.

4.2.4.5 Techniques -

Greyser and Reece found that three-fourths of the executives they surveyed believe that "repetition has been substituted for imagination in much of today's advertising". [42, 1971] Bauer and Greyser found the major source of consumer annoyance with advertising was its intrusiveness -- advertisements seen or heard too often, too long or too loud, and that have unpleasant people, voices or music. [43, 1971]

Advertising executive Paul Harper believes advertisers have resorted to more strident and perhaps questionable methods of attention-seeking because of the proliferation of products and promotion, and the consequent need to be "heard above the crowd."

> Just as surely as our cities are being enveloped in smog and other forms of filth, so is the communications environment becoming more and more cluttered and obscured. It is becoming harder and harder to attract and hold attention and implant an idea... Part of the problem is the proliferation of similar products. There are 33 advertised brands of deodorants in the U.S. and they all do just about the same thing. In the past two years, eight brands of enzyme detergents have been launched. It is estimated that $50,000,000 is being spent to advertise them, and they do just about the same thing. There are now 22 brands of ready-to-eat cereals being advertised against the same market, and they offer only superficial novelty. [44, 1970]

However, whether or not the "irritating techniques" such as repetition and attention-seeking devices (such as loudness) are

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42. Greyser, S.A., and B.B. Reece, Same Reference as Footnote 31.
43. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3.
44. Harper, Paul as quoted in Advertising Age, date not located.

understandable from the advertiser's point of view (for example, to get "results" as discussed in Chapter Two or because of technical problems), the question remains as to whether such advertising/marketing communications are socially acceptable. Discussing, let alone documenting, such an issue is difficult. For example, on the one hand, the executives surveyed by Greyser and Reece believed hard-sell promotion that pounds its message home is not necessary; yet, on the other hand, they split just about evenly on whether the most effective television commercials are the most annoying. [45, 1971]

The results of any survey of consumer attitudes are predictable in large measure: people will not like something that annoys them, by definition. Opinions are likely to differ, however, about the extent of irritation caused by one particular advertisement or to differ in a comparison of several advertisements on the dimension of tastefulness of the techniques used. For example, perhaps an infrequent television viewer would be less exposed and hence less upset by the repetition of commercials. Another factor influencing opinions as to the tastefulness of advertising/marketing communications is the nature of the media. As discussed in Section 2.4.2 , some media (such as television) are less controllable by the audience than others (such as newspapers) and hence are viewed as more intrusive. Intrusiveness, as pointed out in Exhibit 4.5 , is a highly disliked quality in advertising/marketing communications. Consequently, a technique such as repetition -- of a theme or the very same ad -- using a medium such as television, which is regarded as inherently intrusive, may for that reason alone be considered in bad taste whereas using the same technique in another medium may be quite acceptable.

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45. Greyser, S.A. and B.B. Reece, Same Reference as Footnote 31.

An argument frequently heard when discussing irritating techniques in advertising is that irritating ads are more effective and hence are the price the public must pay to have advertising support the media. The assertion that irritating advertising/marketing communications are necessary evils is worth examining. Opinions are likely to vary with circumstances and with the question asked.

Some techniques used to gain attention and recall -- such as repetition -- can backfire, thus rendering their use a high risk strategy. On the other hand, it is not economically practical to use each advertisement only once. It is expensive to produce advertisements -- particularly television commercials -- and expensive to run them. Perhaps there is some opportunity to reduce these costs, but the fact remains that advertisements in the long-run must payoff for the companies using them. Even so, do consumers have to put up with annoyance? The evidence available is not clear; for example, the following question asked of consumers by the Roper Organization fails to provide a full range of alternatives and thus only partially bolsters the argument that annoying characteristics in advertising/marketing communications are necessary.

> Different people have all sorts of things, both good and bad, to say about T.V. commercials -- for example -- that they are in poor taste, that they are informative, that they are amusing, that there are too many of them, etc. Now everything considered, do you agree or disagree that having commercials on T.V. is a fair price to pay for being able to watch it?

	Nov. 1963	Nov. 1964	Jan. 1967	Nov. 1968	Jan. 1971
Agree	77%	81%	80%	80%	80%
Disagree	14	10	9	10	10
Don't Know	9	9	11	10	10

[46, 1971]

Such a question leaves the respondent who wants television without an apparent alternative to the annoying qualities of advertising/marketing communications. Further, as discussed in Chapter Two, consumer behavior research has not yet been able to discover whether, in general, less irritating (at least to the majority of the audience) advertising/marketing communications are or can be as effective as (or more effective) than current advertising/marketing communications.

4.2.4.6 Summary -

In section 4.2.4 we have reviewed several dimensions of "taste" -- a concept used to refer to the social acceptability of the ways in which advertising/marketing communications are presented. These dimensions included:

- acceptability of the product,
- occasion and context,
- appeals, and
- techniques

In summary, we found that advertising/marketing communications can be and often are considered in bad taste because of presentation, that this is understandable, and that to some extent this situation is not completely avoidable.

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46. The Roper Organization, Same Reference as Footnote 39.

4.3 Impact of Advertising/Marketing Communications on Values and Life-Styles:

4.3.1 Introduction -

In Chapter Two we examined the impact of advertising/ marketing communications on purchasing behavior from the viewpoint of specific products or product classes. In Chapter Three we examined the implications of the use of advertising/marketing communications from an economic viewpoint. In this chapter, Section 4.2, we looked at the nature of advertising/marketing communications efforts from a social viewpoint. In this section, we will broaden our focus still further to build on all the preceding material in an examination of what impact advertising/marketing communications have on the values and behavior (here called "life-style" to convey more than just purchasing behavior) of members of society. The issues involved are the most important -- and at the same time the most difficult to resolve -- of the issues treated in this report.

Of the many values or life-style patterns with which advertising/marketing communications have been associated, those most frequently discussed include the following:

- Materialism, instant gratification, and level of consumption [Section 4.3.3]
- Moral, ethical, and aesthetic standards [4.3.4]
- Conformity and diversity [4.3.5]
- Interpersonal and group relationships [4.3.6]
- Children [4.3.7]

The issues comprising these topics, although the subject of frequent debate, have not been researched in much depth. Consequently, our discussion, which will undoubtedly appear brief, merely reflects the paucity of knowledge on these topics. We will begin by examining the fundamental question underlying these issues: that is, do advertising/marketing communications create or reflect the values and life-styles of members of society?

4.3.2 Creation or Reflection of Values and Life-Styles -

To what extent do advertising/marketing communications have the power to effect changes in people's basic values and behavior? We have encountered this question, in various forms, throughout our discussion of advertising/marketing communications. For example, in Chapter Two, we addressed the impact of promotional efforts on primary and selective demand. We found that the factors which affect demand are numerous and inter-related -- and that advertising/marketing communications constitutes just one of these influences.

We did not uncover any empirical evidence that would resolve one way or the other the issue of creation vs. reflection of public values. Most writers on this topic seem to believe that advertising/marketing communications are implicated to some extent in value/behavior origination -- generally, an undesirable situation from the viewpoint of social commentators. Most observers agree, however, that advertising reflects prevailing life styles to a considerably greater extent than it creates them. P. A. Baran and P. M. Sweezy, after an extensive review of advertising knowledge in Britain and the United States, concluded:

> It is crucial to recognize that advertising and mass media programs sponsored by and related to it do not to any significant extent create values or produce attitudes but rather reflect existing values and exploit prevailing attitudes. In so doing they undoubtedly reinforce them and contribute to their propagation, but they cannot be considered to be their taproot. There is wide consensus among specialists that advertising campaigns succeed not if they seek to change people's attitudes, but if they manage to find, by means of motivation research and similar procedures, a way of linking up with existing attitudes.

> Status-seeking and snobbery; social, racial, and sexual discrimination; egotism and unrelatedness to others; envy, gluttony, avarice, and ruthlessness in the drive for self-advancement -- all of these attitudes are not generated by advertising but are made use of and appealed to in the contents of advertising material.... Advertising, being a reinforcing and proliferating mechanism, can neither be held responsible nor absolved of all responsibility for prevailing attitudes, cultural standards, and values. [47, 1964]

Neil Borden, summarizing his findings, stated:

> Consumers' wants for products have been determined by the character of consumers and their existing environment. Advertising has not changed people's basic characteristics, nor has it appreciably changed the environment. It has merely played upon consumers' buying motives to intensify desires or to build favorable attitudes toward products. In helping to usher in inventions and in speeding up demand for some products and slowing down contracting demand for others, advertising has had an effect in altering consumers' living habits and attitudes. In this way it has had an effect on the environment. [48, 1942]

Many commentators on the effects of advertising on society base generalized arguments on very specific examples. For instance, Vance Packard alleged that companies have "contrived" the demand for convenience products such as one-way bottles -- that through advertising and control over distribution, companies have created a "use-it-once-and-throw-it-away" attitude. [49, 1960] However, Packard's

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47. Baran, P.A. and P.M. Sweezy, "Theses on Advertising," Science and Society Vol. 28, No.1,(1964) pp. 20-30.

48. Borden, N.H., Same Reference as Footnote 4.

49. Packard, Vance, The Waste Makers (David McKay Company, Inc., 1960) Chapter 5.

discussion lacks substantiation, as do most other treatments of the issue of creation or reflection of values and lifestyles.

4.3.3 Materialism, Instant Gratification, and Level of Consumption -

A major concern of many analysts of American society is its materialistic nature. Materialism, simply stated, is the tendency to value the possession of products. For example, if we maintain that teenagers value highly the possession of radios and record players, we are ascribing to them a materialistic attitude. A society may be described as materialistic if such attitudes are prevalent throughout society. The extent of materialism can be evaluated for a given society (for example, a comparison of the amount spent on products to the amount spent on the arts) or compared between societies (for example, a comparison of such expenditures in two countries).

The relationship of advertising/marketing communications to the extent of materialism in a society has been the subject of many vehement attacks on advertising. Critics of advertising have asserted that advertising generally conveys to members of a society that there is a solution for every problem, and that the solution is a material one. Vance Packard put it this way:

> ...standing in the way of any significant shift in the American style of life is the all-pervading commercialism of the environment in which they live and breathe. Americans consequently are under fairly constant pressure to appraise their life satisfaction on the basis of material possessions. [50, 1960]

Further, it has been alleged that not only does advertising cause people to want material possessions, but it also causes them to want more and more -- it creates perpetual dissatisfaction with the status quo. S. E. Morison, an English writer, summarized this tendency as follows:

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50. Packard, Vance, Same Reference as Footnote 49.

> Advertising has promoted the revolution of rising expectations...advertising more than any factor has made the luxuries of yesterday the necessities of today. [51, 1965]

It has also been alleged that advertising/marketing communications have fostered the demand for "instant gratification;" that is, advertising/marketing communications makes people want products and services "now" -- whether they can afford them or not. This tendency, while difficult to document, probably exists. However, it is unlikely that promotion is the sole cause -- many other factors are involved, such as increased credit availability, more extensive use of display in self-service stores, etc.

If advertising/marketing communications do create or reinforce the drive for immediate possession of more and more material goods regardless of ability to pay for them, this effect is of particular concern in the case of disadvantaged groups such as the poor. Federal Trade Commissioner Mary Gardiner Jones discussed the impact of advertising on the poor as follows:

> ....the social pressure on them to consume is almost irresistible...the only sense of status which is in any way available to them is through the possession of the material accoutrements of our economy....an automobile, a sewing machine, a TV set....[52, 1969]

Bauer and Greyser, in their recent book stated that it was important to separate the tendency to acquire material goods from the use to which the material goods are put. Their discussion of materialism included the following remarks:

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51. Morison, S.E. The Oxford History of the American People (New York: Oxford University Press, 1965) p. 892

52. Jones, Mary Gardiner, "The Cultural and Social Impact of Advertising on American Society", a speech before the Trade Regulation Round Table of the Association of American Law School, San Francisco, California, released December 29, 1969, as quoted in John Myers' forthcoming Social Issues in Advertising, (New York, American Association of Advertising Agencies, 1971) Chapter One.

Discussions of the part that advertising and marketing in general play with respect to materialism are invariably garbled: It is difficult to tell whether the matter of concern is the predilection of people in our society to acquire material goods, or the functions which material goods play in the society. Close attention to many of these arguments has convinced us that a frequently overlooked central issue is that in our society material goods serve many functions which are served in other fashions in other societies...

It is perplexing indeed that the criticism of a materialistic society becomes most heated when the discussion turns to the fact that people use material goods to satisfy what are generally considered to be nonmaterial motives. Perhaps the distinctive feature of our society is that while there are so many material things which may afford ego gratification or serve as symbols of status, there is little stable agreement as to which objects should serve these functions...

This entire issue can well profit from fresh thinking. Many values and expectations of our society are probably involved. One of them is the notion that material objects have a single clear-cut "primary function" -- such as that an automobile is a means of transportation -- and that investment of resources in anything beyond this "primary function" is in some sense "bad". Other societies,despite having obviously less material wealth, nevertheless do not share this assumption.

Regardless of what reevaluation may emerge from a new consideration as to the nature of our materialistic society, it is inescapable that advertising plays an important role in it. Advertising is the chief means of communicating (and reinforcing) to people the range of reasons for which they might want to acquire material objects. It seems

> probable that as long as these reasons are ones which the culture recognizes, e.g., that a given object can indeed be viewed as a symbol of status, it is unlikely that advertising can or will be prevented from appealing to such reasons. If we regard as undesirable these materialistic values in our society, we must look beyond advertising for change. [53, 1968]

Walter Taplin approached the question of materialism slightly differently:

> Most of the things we want are not material but mental. We want states of mind. The advertiser, beginning with a material object which is to be sold, suggests the states of mind which may be achieved by the purchaser.... You can either rejoice that human beings have wants, and that other human beings try to satisfy them and be paid for their trouble; or you can deplore the nature of humanity. [54, 1960]

Another argument heard in regard to the impact of advertising/marketing communications on the materialistic nature of society is that advertising is the "lubricant that keeps the economic machine moving" to support a high standard of living. Supporters of this position often overlook its basic weakness. As Bauer and Greyser put it:

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53. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3. pp. 367-368.

54. Taplin, Walter, Same Reference as Footnote 2.

> ...Advertising men cannot rest their case that advertising's ability to "move goods" is an ultimate justification. Some advertising men are so convinced of the present role of advertising in our economy that they can see no possible alternatives to existing arrangements. It does not follow, for example, that even an improved material standard of living is dependent on an increase in our Gross National Product. GNP is a measure of transactions within the economy which has nothing per se to do with what is produced, or with the rate at which the nation's wealth is being depreciated. [55, 1968]

4.3.4 Moral, Ethical, and Aesthetic Standards -

In section 4.2 we discussed the moral, ethical, and aesthetic nature of advertising/marketing communications. In this section, we shall discuss the effects of advertising/marketing communications on moral, ethical, and aesthetic standards; that is, the criteria by which people evaluate ideas and behavior -- including promotional behavior.

Do advertising/marketing communications lead to lower moral standards (for example, increased sexual permissiveness)? Do advertising/marketing communications lead to lower ethical standards (for example, increased deceit in relationships)? Do advertising/marketing communications debase aesthetic values (for example, decreased appreciation of classical music)? These are difficult questions to discuss, let alone resolve. For example, how might we evaluate the following assertion by Reverend R. J. McCracken?

> It is obvious that little thought is given to the effect of advertisements on character.

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55. Bauer, R.A. and S.A. Greyser, Same Reference as Footnote 3, p. 368.

> In some instances, not only truth, but taste and decency are at a discount. The advertisers have something to sell and they mean to sell it. The profit motive overrides ethical considerations. I have no hesitation in saying that this is one of the most pernicious and vulgarizing influences operating at the present time on American manners and morals. [56]

We might approach this argument logically. For example, we might argue that the marketing of nationally branded products requires a large measure of trust between the consumer and the manufacturer, and that advertising helps create and maintain such trust. Yet, as apparent in our discussion of false and misleading advertising in section 4.2.3, we could also argue the opposite. Or we might approach McCracken's position empirically, at least to the extent of measuring the opinions of various groups on the question. For example, Greyser and Reece in their study of businessmen found that they split quite evenly on the question of whether advertising improves or lowers the general level of taste in society.

		This is:		
Issue	**Alternatives**	**True**	**Don't know**	**False**
Impact on public taste	Downgrades it	41%	13%	46%
	Improves it	37	15	48

[57, 1971]

There is no empirical evidence to indicate the extent to which advertising/marketing communications do, in fact -- as distinguished from opinion -- affect moral, ethical, and aesthetic standards. Given the multiplicity of influences on these standards, it seems unlikely that any clear-cut measurement of these effects can ever be made.

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56. McCracken, R.J., "Ad Persuaders Are Pernicious," Printers Ink, Date not located

57. Greyser, S.A. and B.B. Reece, Same Reference as Footnote 31.

4.3.5 Conformity and Diversity -

Another charge against advertising/marketing communications is that promotional efforts have pushed Americans toward the mediocrity that results from conformity. Advertising is aimed at the masses, this argument would go, and is designed to get everyone to do the same thing -- buy the same appliance, subscribe to the same magazine, go to the same movie. However, no advertiser no matter what his intent has been able to sell everyone. If a product has a 60 percent share of the market and advertising has played some part in obtaining that franchise, can we say advertising has increased the level of conformity in society -- or contrarily, has advertising decreased the level of individuality? If advertising helps manufacturers offer greater variety of products, does this constitute an assist towards decreasing the general level of conformity; that is, does the proliferation of products allow greater opportunity for members of the society to express their individuality? Very little empirical data is available on these questions. Some opinion research has been done; for example, Greyser and Reece discovered businessmen were divided on whether advertising "leads to uniformity of taste among consumers." [58, 1971]

4.3.6 Interpersonal and Group Relationships -

Do advertising/marketing communications strain relationships among individuals of differing age, race, religion, sex, income, etc.? Should advertisements portray society as it is or as the advertiser thinks it should be? In this time of protest it is not surprising to find advertising/marketing

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58. Greyser, S.A. and B.B. Reece, Same Reference as Footnote 31.

communications being accused of chauvinism by one group or another. For example, women's liberation supporters have argued that advertising portrays a stereotype of the roles women play, thus (perhaps) conditioning women to accept inferior positions in society as housewives, maids, dependents, and decorations. [59, 1970]

A recent study by Alice Courtney and Sarah Lockeretz on the roles portrayed by women in magazine advertisements revealed that there is some justification for the charges made by feminists as to the nature of advertising; however, the effects of advertising on the learning and acceptance roles were not examined in the Courtney and Lockeretz research.

> ....there were few individual advertisements studied that could be considered offensive to women. Yet, the totality of the picture presented did reflect some cliches about women's roles that are considered by feminists to by highly unflattering. [60, 1971]

In recent years, there has also been agitation over the portrayal of ethnic groups in advertising/marketing communications. For example, Mexican-Americans were upset in 1969 over the Frito-Bandito commercials, and Italian-Americans complained about an Alka-Seltzer commercial stereotyping Italians.

The relationship of advertising/marketing communications to racial problems has also been a subject of concern. For example, does the use of white models, black models, or

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59. For example, see D. Grant "Women's Libs Fume at 'Insulting Ads': Ad Gals Unruffled," Advertising Age, (June 27, 1970).
60. Courtney, A.E. and S.W. Lockeretz "A Women's Place: An Analysis of the Roles Portrayed by Women in Magazine Advertisements" Journal of Marketing Research, (February 1971).

some of each in advertising influence racial attitudes? If the use of integrated commercials helps the civil rights movement, should advertisers be required to have such commercials regardless of their impact on sales? [61, 1970] In 1969, Advertising Age reported the conclusions of a study done by the Metropolitan Applied Research Center:

> Television is too important an influence on the lives of our children to ignore the fact that commercials educate in ways not intended by their sponsors... If commercials reinforce stereotypes or racial superiority, they damage individuals as well as society. If commercials show blacks as full members of American culture, they help prepare us for that future. Finally, if blacks and whites are shown together in commercials, some of the barriers to desegregation will be breached. [62, 1969]

Obviously, there is a need for much research on these questions. In the meantime, we can expect changes in advertising/marketing communications content to be demanded on the basis of "fairness" of representation of differing viewpoints. This concept, currently called the "equal time doctrine," maintains that groups with opposing viewpoints to those expressed in the media be allowed a reasonable opportunity to present their views. [63, 1971]

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61. For a discussion of the nature of the black market, see R.A. Bauer and S.M. Cunningham, Studies in the Negro Market, (Boston, Marketing Science Institute, 1970)
62. Advertising Age, (September 30, 1969).
63. For an account of a recent controversy involving the "equal time doctrine" and environmental protection see "Court Rule to Widen Ad Time Use Causes Alarm, Confusion" in Advertising Age, (August 23, 1971) p.1.

4.3.7 Children -

Currently of special concern is the question: how do advertising/marketing communications affect children? This question may be examined in two parts. First, to what extent do advertising/marketing communications affect the purchasing behavior (or demands voiced for purchasing behavior) of children? Do marketers "exploit" the relative lack of sophistication of children? Is it ethical to attempt to influence children? Second, to what extent do advertising/marketing communications affect the living behavior -- values and life-styles -- of children? Do marketers "corrupt" children by inculating socially unacceptable values?

These questions are not easily resolved because they are value-laden and difficult to research. Further, it is only recently that interest in these questions has become widespread enough to encourage much work in this complex area. For years researchers and writers assumed implicitly that children reacted to advertising/marketing communications in much the same way as their parents, except that children were more vulnerable. This assumption has not been justified by recent research -- children seem to react differently.

Estimates vary as to how much time children spend watching television; however, these estimates do show that children are exposed more to television advertising than to any other form of advertising/marketing communications. It is not surprising, then, that researchers and critics have focused their attention primarily on television advertising. Unfortunately, early work on television's effects on children dealt with the effects of program content rather than commercial content. Only recently have the effects of television advertising on children been a subject of major research.

Research on children and television advertising is more complicated than research on adults and television advertising. First, interviewing and self-reporting techniques are difficult to administer and interpret, particularly with young children. Second, reliability and validity problems arise in laboratory experiments due to children's reactions to a strange experimental environment. Third, the observations of children's behavior by parents often contain biases that are difficult to allow for in interpretation. Fourth, research on effects of communication on adults cannot simply be generalized to children. Most research with adults focuses on attitude change as a measure of the efficacy of communication messages (such as advertisements). Children should not be expected to have strong, fixed attitudes, however, so findings from such studies with adults are not applicable to children. More relevant variables for research concern learning, that is, the gradual accumulation of knowledge and formation of attitudes which result from exposure to mass media.

In 1964, J. U. McNeal did a study on the consuming behavior of children. He reached the following conclusions regarding their reaction to television advertising:

> There was increasing dislike and mistrust of television ads as the children increased in age ... Half of the five - and seven - year - olds and over three-fourths of the nine-year-olds reported negative feelings toward television commercials. They believed that the ads are, in general, "untruthful," "annoying," "silly," "repetitious," and take too much time

> from the program in progress .. Despite their dislike for television commercials, over half of each group [5,7, and 9 year-olds] bought, or asked their parents to buy, many of the goods they saw advertised... With increasing age, there was an increasing tendency among the children not to want the goods that they saw advertised on television. By age nine, this negative feeling was prevalent among 35 percent of the subjects who thought that advertisements exaggerated the quality of the products. [64, 1964]

To our knowledge, the most complete study of children and television advertising is a project directed by Scott Ward of the Marketing Science Institute. [65, 1971] Ward has reported six individual pieces of research and is currently conducting further work in this area. His findings shed much light on some of the issues involving children's reactions to television advertising; therefore, we shall summarize his major conclusions.

- between second and fourth grades, children not only begin to discriminate between programs and commercials, but also begin to understand the intent of commercials. (This is a tentative finding, since it is based on small sample results in a clinical interview setting.)

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64. McNeal, J. U. Children as Consumers (Bureau of Business Research, University of Texas, 1964)
65. Ward, Scott; Project Director, Effects of Television Advertising on Children and Adolescents, Marketing Science Institue, (July, 1971).

- by sixth grade, children have relatively well-developed attitudes toward commercials -- they respond to them in terms of the message and evaluate advertising in terms of its relevance to them -- they select that to which they'll pay attention and believe. (This is a tentative finding, since it is based on small sample results in a clinical interview setting.)

- contrary to many people's opinions, children do not "tune in" to commercials (i.e., increase attention to them relative to program fare). All children sampled between 5-12 years of age generally show a decrease in attention to commercials, although younger children (5-7) show the least decrease in attention, while the eldest children (10-12) show the greatest decrease. There is some variation in attention due to the product category being advertised.

- children do form positive and negative attitudes about advertisements -- generally adolescents are quite cynical about television advertising, feeling that commercials are not straightforward, often hypocritical, and frequently in bad taste. However, they have positive attitudes toward commercials seen as "funny."

- although many mothers believe the effects of television advertising on their children are reflected in requests for products by their children, television advertising is neither the sole nor necessarily the most influential determinant of children's wants and purchasing behavior.

- adolescents acquire consumer attitudes and skills from television advertising -- such consumer learning occurs as a function of the quality of television advertising use (i.e., motivations of reasons for watching commercials) more than simply as a function of the quantity of media use.

- black and white adolescents do not differ markedly in their responses to television advertising.

- intelligence was a better predictor of recall of commercial themes and slogans than exposure to television advertising.

Since Ward's project was limited to one year, he was unable to examine in much detail the broad questions of the impact of television advertising on the values and life-styles of children. Such questions as "does television advertising teach children to become hypocritical?" were not addressed. Ward did discover that children and adolescents had reasons for watching television advertising: to learn about products, to learn about which people use what products, and to vicariously enjoy watching how other people live. His conclusions suggest much further research is needed -- particularly research that monitors individual children over a period of years to examine the effects of television advertising relative to other sources of information (such as schools) on the development of values and life-styles.

Research such as Ward's shows that the question of children's "vulnerability" to advertising is complex indeed. Since children seem to be able to discriminate between commercials and programs at an early age; since they form attitudes about commercials; and since they generally "tune out" from watching commercials, it would seem that they are not "helpless victims" of television advertising. However, the subtle learning processes which occur may be viewed as a significant source of influence.

4.4 Summary:

In our review of the impact of advertising/marketing communications on society we discovered a great many issues and very little evidence. Consequently, we chose to examine what appear to be the major issues and to present a wide variety of "evidence" including some opinions of writers, advertising practitioners, consumers, and businessmen. The issues may be ordered in several ways -- all of them arbitrary in our opinion. In order to facilitate discussion, we chose to examine the nature and content of advertising (what advertising is and how it is done) somewhat separately from the social acceptability of its effects on the values and life-styles of members of society. We did not mean to imply that there is a neat dividing line between what advertising is and what it does.

The lack of "objective empirical evidence" is probably the result of three problems: (1) the difficulty of unravelling -- especially statistically -- the interrelationships of the innumerable factors which influence values and behavior; (2) the impossibility of determining the total impact on society of advertising as an institution; and (3) most important, the value-laden nature of the variables. The third problem -- the value judgment problem -- is essentially this: who decides what is acceptable for whom?

A discussion of the social effects of advertising boils down to an examination of the components of the following two questions:

(1) How "powerful" is advertising? Does it substantially affect the lives of people by influencing them to believe and behave differently than they would without having been exposed to advertising? If so, is its influence positive, negative or mixed?

(2) In addition to its effects on purchasing behavior (the subject of Chapter Two), what effects does advertising have on the values and life-styles of members of society as reflected in their "living behavior?" Are these effects desirable or undesirable?

In Chapter Four, we attempted to indicate the complexity of these questions by examining the impact of both the content and presentation of advertising on different groups in society under different conditions. One clear conclusion that emerged was that the social acceptability of advertising varies markedly -- among individuals, among groups, and among situations. Consequently, there are few generally agreed upon limits as to the nature and content of advertising and as to the manner of presentation of advertising.

We began our discussion of the nature and content of advertising by looking at persuasion. We discovered that while in principle, the attempt to influence purchasing behavior is acceptable to most people, in practice, there are several situations in which the persuasive aspect of advertising has been questioned. The situations we considered are as follows:

(1) When advertising is directed at consumers unable to purchase the advertised products;

(2) When the product is not needed or wanted;

(3) When the persuasive means is unknown or only very subtly conscious to the recipient; and

(4) When the differences among competing products are slight or non-existent.

Our examination of each of these situations revealed no clear consensus as to exactly what constitutes socially unacceptable persuasion in advertising. In particular, there seems to be no empirical way of determining whether and to what extent advertising influences people to buy things they do not want or do not need.

Although we arbitrarily distinguished between the persuasive and informative nature of advertising for purposes of discussion, such a distinction is very artificial, and in practice, often impossible. The two characteristics shade into one another.

Even so, advertising clearly has an informative function. We examined four major issues regarding the informative aspect of advertising. These issues are as follows:

(1) Truth -- Is literal truth the standard by which false advertising is determined?

(2) Deception -- What constitutes a deceptive or misleading advertisement? Misleading to whom?

(3) Puffery -- To what extent should advertisers be allowed to exaggerate?

(4) Disclosure -- What information, whether to the advertiser's advantage or not, should be disclosed?

We discovered that all of the information issues involved the need to set standards -- of truth, intelligence, exaggeration, and information completeness. Therefore, although public opinion surveys have revealed a substantial amount of criticism regarding the way in which information is provided in advertising, very few general guidelines have emerged as to how to evaluate the informative aspects of advertising/marketing communications.

We employed the term "taste" to describe the moral, ethical, and aesthetic aspects of the content and manner of presentation of advertising/marketing communications. We recognized three problems encountered in determining the line between good taste and bad taste: (1) individuals vary widely as to what is considered in good or bad taste; (2) standards of taste vary over time; and (3) there are semantic problems in the measurement of tastefulness.

We discussed the following reasons for which advertising/marketing communications may be considered as of questionable taste:

(1) the promotion of an objectionable product;
(2) the inappropriateness of the occasion or context in which the promotion occurred;
(3) objectionable appeals; and
(4) the excessiveness of the techniques used.

We discovered that advertising is frequently and vehemently criticized for lack of good taste, but that determination of the reasons for such criticism is often quite complicated. No general standards appear to exist.

Next, we turned our attention to the impact of advertising/ marketing communications on the values and life-styles of members of society. The values and life-styles considered included materialism, moral, ethical, and aesthetic standards; conformity/diversity; and interpersonal and group relationships. Illustrative of the fact advertising may affect various groups in different ways, we discussed the ways in which advertising may affect the value acquisition and behavior of children. The effects of advertising/marketing communications on values and life-styles, although the subject of much speculation and debate, have not been researched in much depth.

The key question underlying these issues is the following: do advertising/marketing communications create or reflect the values and life-styles of members of society? Most observers agree that advertising does both, but that it reflects prevailing values and life-styles to a considerably greater extent than it creates them.

One of the major social criticisms directed at advertising is that advertising fosters materialism -- the tendency to value the possession of goods. Whether or not the tendency to acquire material goods is separated from the use to which the goods are put, if advertising leads people to value goods, to want more and more goods, and to want them immediately, then this impact on the values and life-styles is of particular concern in the case of disadvantaged groups. We found virtually no evidence with which to evaluate the alleged relationship between advertising and materialism, either in general or for specific types of consumers.

Similarly, we were unable to evaluate whether, and to what extent, advertising/marketing communications changed moral, ethical, and aesthetic standards; affected the extent of conformity in society; or strained interpersonal and group relationships. Many allegations have been made; few answers have been sought.

Our review of the effects of advertising/marketing communications on the behavior and development of children centered about two questions. First, do advertisers exploit the relative lack of sophistication of children to make them buy and consume products? Second, to what extent do advertisers corrupt children by teaching them socially unacceptable values? In the past, it was often assumed that children react to advertising in ways similar to adults. Recent research suggests they react differently because they are acquiring rather than changing values and attitudes.

While researching children is exceptionally difficult, what little work that has been done suggests children are not as vulnerable to television advertising as most critics seem to believe. By sixth grade, it appears most children understand the intent of television advertising, selectively attend to commercials, and decide what claims they will believe.

In conclusion, we reiterate our plea for caution in making statements or basing policy on assumptions regarding the social effects of advertising/marketing communications.

Chapter 5

TOWARD A BETTER UNDERSTANDING OF ADVERTISING

We believe it is important to understand advertising -- why it is currently a major element of our competitive economic system, how it is used, and what effects it has on our society. Throughout this review of issues related to advertising and other forms of marketing communications, we have emphasized that very little is known about its economic and social effects, but that there is no lack of speculation. Consequently, proposals for regulation and change of advertising all too frequently are debated on the basis of what some people think rather than what anyone knows about the effects of advertising. A better understanding of advertising would enable all parties concerned to reach some measure of agreement as to what, if any, changes are needed. what effects these changes would have, and how these changes should be implemented.

It should be evident from our review that it is difficult to resolve the many questions about the effects of advertising. There are some significant obstacles to overcome, as discussed in Chapter One. One major obstacle is the lack of agreement as to what are the important issues, what are their implications, and what would constitute adequate evidence to resolve these issues.

Accordingly, we have attempted to shed some light on the nature of the issues, in an effort to facilitate meaningful and thoughtful discussion of them. We have tried to define, relate, and organize many of the questions asked and issues raised about the economic and social effects of advertising -- and we have summarized much of the available evidence bearing on these issues.

It is important to note that we have focussed on criticisms of advertising -- the allegations that advertising has negative effects -- rather than on the alleged positive effects of advertising. Further, this report is neither the last word nor the complete word about the economic and social effects of advertising. It is intended as a basis for discussion and as a stimulus to further investigation.

We hope this report will help all parties concerned to deal more constructively with the fundamental issue of what changes, if any, are needed in the ways in which business communicates with its customers. Nearly everybody agrees that some regulation -- by government and by business itself -- has been and will continue to be advisable. Thus, the question becomes what are the right kinds of regulation; that is, what can business and government do to best serve the interests of society regarding advertising?

We believe there is a pressing need for discussion and for information. We need agreement as to what are the important issues that must be resolved. We need more and better information as to what effects advertising/marketing communications have on our economy and society as a whole and whether those effects are considered beneficial or not. Only in this way can government formulate and implement better public policy regarding advertising and other forms of marketing communications, businessmen use advertising more wisely, and researchers contribute meaningfully to a continuing process of learning about this important and complex topic.

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ERRATUM: Appraising the Economic and Social Effects of Advertising

Michael Pearce, Scott M. Cunningham, Avon Miller
October, 1971

The report entitled "Appraising the Economic and Social Effects of Advertising," which you recently received, contains an error which we should like to correct.

In the discussion of "general models of consumer behavior" on page 2.2, we quoted an appraisal of the Howard-Sheth model by Engel, Kollat, and Blackwell. This quotation does *not* reflect its authors' evaluation of the theory as presented in Howard and Sheth's *1969* book, *The Theory of Buyer Behavior*.

The quotation was based, instead, on an earlier and much less fully-developed version of the Howard Sheth work.

Attached is a revised version of page 2.2 which is, we believe, a more accurate and fair statement. Please add this to your copy of the report.

We offer our apologies to Professors Howard, Sheth, Engel, Kollat, and Blackwell for the anachronism in the report.

ERRATUM

Revised Version: Page 2.2

One of the best-known general models of consumer behavior proposed thus far is that developed by Howard and Sheth. While it is useful as a general description of the process of consumer brand choice, the Howard-Sheth model -- at least in its current stage of development -- does not seem suitable as a comprehensive framework for analyzing the issues covered in this chapter. For one thing, the theory proposed by Howard and Sheth deals only with brand choice and closely related aspects of consumer behavior; it does not purport to explain total consumption or aggregate purchases of a product. As discussed in Sections 2.3.1 and 2.3.2, these are important issues in any assessment of the overall effects of advertising.

As of late 1971, the Howard-Sheth model must also be regarded as a very tentative explanation of brand choice behavior. One reviewer pointed out, in his appraisal of Howard and Sheth's book, that the theory contains "...literally hundreds of untested hypotheses." [2, 1971]

Finally, the Howard-Sheth model does not deal explicitly with some of the key aspects of advertising's influence on consumer behavior that appear crucial to an appraisal of its economic effects -- such as the relative impact of varying amounts of advertising and the nature of delayed or "lagged" responses to advertising messages.

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2. Stewart W. Bither, Review of "The Theory of Buyer Behavior," Journal of Marketing, Vol. 35, no. 1 (January 1971), pp. 102-03.